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A Cahners publication serving the total foodservice industry

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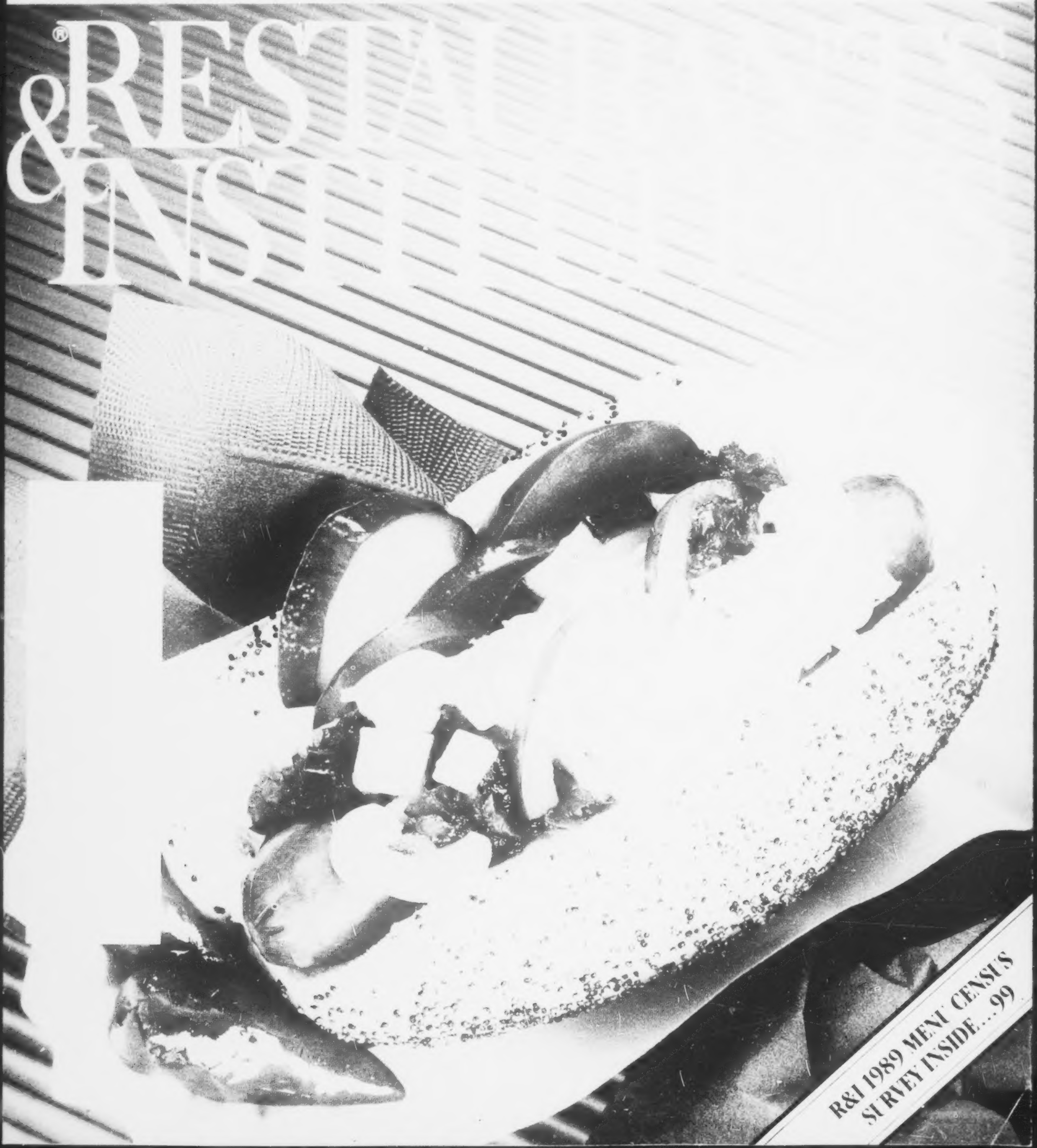

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MAY 29, 1989

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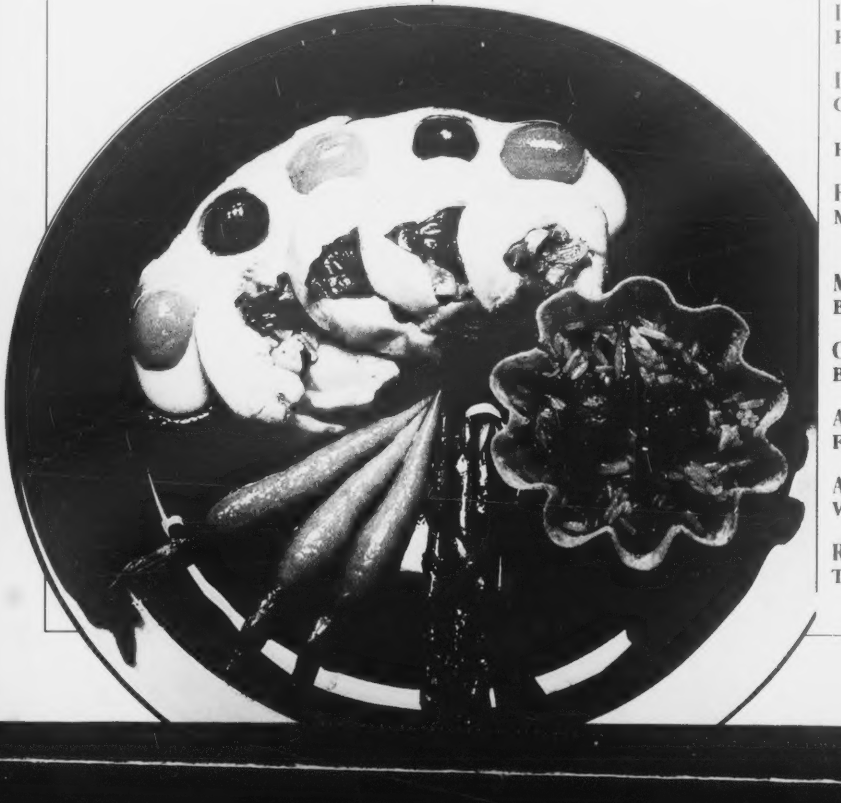

R&I EXCLUSIVE

MANAGEMENT

BEST-RUN COMPANIES

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Chick-fil-A Chairman S. Truett Cathy and employees.

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R&I presents its honor roll of "best places to work": five companies where creative culture spurs steady growth.

Shortly after World War II, a man named Edward Deming tried to convince the leaders of American business that there was a better way to run a company. They would not listen. But another group of business executives did. Japan embraced Deming's ideas and the rest is history. In fact, the most coveted business award in contemporary Japan bears Deming's name. Something of a sad irony, as America struggles to remain No. 1 against a Japanese economic juggernaut.

Forty years later, the United States has created its own business quality award, named in honor of the late secretary of commerce, Malcolm Baldridge. The Baldridge is a "national award given for high product quality." Recipients for 1989 are Westinghouse Electric Corp., Motorola Inc. and Globe Metallurgical Inc. The Baldridge award describes companies that produce quality in this way: "Change can only come from the top; there must be an understanding of 'floor problems'; engineers today have a broader background."

In another direction, we have seen a spate of books in the last decade on how to run a company. The best known is "In Search of Excellence," by Thomas Peters and Robert Waterman, which lists the following "eight attributes that have emerged to characterize most nearly the distinction of the excellent, innovative companies": 1) a bias for action, 2) close to the customer, 3) autonomy and entrepreneurship, 4) productivity through people, 5) hands-on, value-driven, 6) stick

RESTAURANTS & INSTITUTIONS

to the knitting, 7) simple form, lean staff, 8) simultaneous loose-tight properties. As the book says, pointedly, "Almost everybody agrees that 'people are our most important asset.' Yet none really live it." The best companies do live out their commitment to people. They also show a strong bias for action. Formula: Creatively active people make a strong company.

"Re-inventing the Corporation," by John Naisbitt and Patricia Aburdene, offers more guidelines for a best-run company:

1. Do employees experience personal growth in this company?
2. Does the company reward performance and initiative or is everyone treated the same?
3. What is the vision of the company?
4. How is the company structured?
5. Where does the company stand on health and fitness?
6. Is this company flexible about job arrangements or is it strictly a 9-to-5 operation?
7. How successful have women been in the company?
8. Is the company involved in any programs with local schools?
9. Is the company thinking about life-long training and education?
10. Are employees having fun?

Finally, here are the criteria *Fortune* magazine uses in its annual ranking of corporate performance: ability to attract, develop and keep talented people; innovativeness; quality of management; financial soundness; quality of products or service; community and environmental responsibility; use of corporate assets; value as long-term investment.

The companies that appear on our best-run list include most or all of these attributes in their philosophies and, more important, in their day-to-day operations.

Chick-fil-A employees drive up a mile-long road through Georgia woods before they reach a tree-shaded parking lot.

Chili's, Dallas, enthusiastically rewards performance with a profit-sharing program installed three years ago. If the company attains its income goal for the year, employees see a percentage in their paychecks.

Creative Gourmets, Charlestown, Mass., keeps a psychiatrist on staff to help departments work together more closely, moderate in-house debates and help employees deal with personal problems. This unusual staff member helps the company fulfill the promise it makes in its handbook: "You have chosen to join a company where caring is our most important attribute."

Restaurants Unlimited, Seattle, demands top customer service from employees, and then gives them the power to do their jobs right. If a customer says something's wrong, servers do what it takes to fix the situation.

White Castle, Columbus, Ohio, rewards loyalty with its policy to promote solely from within. All 12 area managers started behind the counter; 235 of the company's 9,000 employees have been with White Castle more than 25 years.

We think these examples offer food for thought on how the companies we have chosen measure up, both as business entities and as human environments.

—The Editors

THE *R&I* HONOR ROLL

These five companies strive to promote creativity and excellence, while maintaining strong financial profiles.

CHICK-FIL-A INC.
Atlanta

CHILI'S INC.
Dallas

CREATIVE GOURMETS
Charlestown, Mass.

RESTAURANTS UNLIMITED INC.
Seattle

WHITE CASTLE SYSTEMS INC.
Columbus, Ohio

BEST-RUN COMPANIES

CHILI'S INC.

Brinker & Co. place a premium on growth—both in their market and among Chili's employees.

◆ ◆ ◆ ◆ ◆

CEO Norman Brinker (l.) and President Ron McDougall (r.) please both employees and stockholders by focusing on the customer.

Some companies make employees walk through fire to prove their loyalty. At Chili's, they only have to putt through mashed potatoes.

Or at least once a year they do, at the Dallas-based company's miniature-golf tournament. During this annual event, Chili's headquarters building becomes an 18-hole morale boost, where randomly chosen teams compete on courses they have designed themselves. This year, the mashed potatoes served as the green for an "Ida-hole" that ran through a spud-studded company cafeteria. "They can get pretty creative around here," says Chili's President Ron McDougall.

But the point of the competition goes beyond perfecting one's chip shot over the copying machine. Golf teams are usually drawn out of a hat, and the camaraderie spills over into everyday business dealings, making the staff more effective at solving problems between departments. "We get a lot of cross-functional groups," McDougall says. "All of a sudden, you've got a friend in another department where you didn't know anyone before. Now, if there's an issue involving that department, you have someone you can turn to for help. The main thing is to show that people have other sides than the one at the office."

In the six years since Norm Brinker took the helm as CEO, Chili's has earned a reputation for just this type of easy informality, designed to make the job both more fun and more productive. Brinker himself is the original open-door leader, holding that responsive communication is the key to good relations with both employees and shareholders. He has a policy of dropping into Chili's units—approximately 10 per week—to talk directly with managers and supervisors.

Still, at that rate, it takes him almost three years to get to all the restaurants under the Chili's banner. From a moderately successful regional chain of 22 outlets and $30 million in sales in 1983, Chili's has ballooned into a sophisticated and highly visible national corporation, with 146 units in 26 states. Sales for fiscal 1989 are projected to be $350 million. In the last four years, Chili's revenues have increased by 332%, units by 234%, and net income by 189%.

Brinker and McDougall know that such a sharp growth curve can overwhelm a business. So Chili's culture of informality is grafted onto a fully developed organizational structure that emphasizes training, research and development, long-range planning and good shareholder relations.

The company runs lean at the top: Of 15,000 employees, only 260 work at the head office, and general and administrative costs are 5.6% of sales and falling. "We try to stress that everyone [at the Dallas headquarters] is here to make the operator's job easier—to make him more efficient, take the paperwork off his back, get him out taking care of the customers and the employees," says McDougall. If you're working on a project here, it can't be simply to make your desk look neater. It's got to have a tail that eventually affects the customer." For example, Chili's operations task force recently collaborated with information services on a computer program that can produce the optimum weekly manpower schedule for a unit by tracking recent sales and traffic trends. A manager can let the computer take the first pass at making up his weekly plan, then sit down and fine-tune it to suit workers' needs.

"Our calculations show managers will save five hours a week using this program," McDougall says. "That's 260 extra man-hours a year to do whatever they want to do—develop themselves, get into the front of the house, train their assistants, whatever."

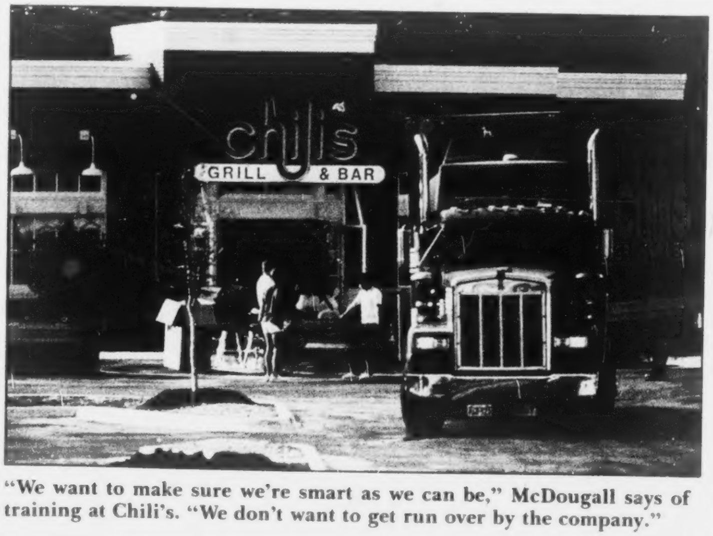
Everything Chili's does in the field and at the home office has a similar double focus on enabling its people to serve the customer and encouraging them to take a stake in the company's success. A recently instituted policy gives yearly stock options to middle top management headquarters, and to assistant managers and above on the operational level. The Dallas staff is in its third year of universal profit-sharing. If the company makes its income target for a year, each worker gets a percentage of his or her salary in bonus. The percentage varies by rank and has a 4-to-1 escalator: If profits exceed plan by 10%, the bonus goes up 40%, with no cap.

Again, the Chili's philosophy says that this kind of equity participation helps both the employee and the company. "I've got a whole team here that's looking to save money," McDougall says. "And you don't need a $100,000 idea to contribute. If you can save $1,000, that goes back into the profit pool. So, if someone's going crazy on the copier machine, we have a lot of policemen around."

Brinker is known as an innovator himself—the Steak & Ale chain and the salad-bar concept are testimony to his creative powers—and he has seen to it that Chili's sends a message to all its staff: Ideas Wanted. Good suggestions are rewarded with spot bonuses or, at least, letters of appreciation. He tells managers who have just come into the Chili's system to look around and point out anything they think can be done better before they become "Chili-ized." Almost 80% of the current Chili's menu came from suggestions made by unit managers; the idea for the atrium on the side of the current Chili's prototype came from a supervisor in California.

As a former chairman of Burger King, Brinker knows the importance of taking good advice from the people in closest touch with the customer and the dangers of stifling employee creativity. "People either grow or shrivel," he says. "It all depends on whether the company's attitude is conducive to growth or not. There's the attitude that says, 'Boy, I've got an idea.' Or there's the one that says, 'That's not the way we've done things—you run the restaurant, we'll get the ideas.' Say that too many times, and employees get the message."

At Chili's, the message sent to both employees and shareholders is summed up in the first part of the company's mission statement: "To be a premier and progressivee growth company, with a balanced approach to people, quality and productivity." Best of all, the statement might well go on to add, Chili's managers are determined to have some fun as they grow.



"We want to make sure we're smart as we can be," McDougall says of training at Chili's. "We don't want to get run over by the company."

chili's
GRILL & BAR

Headquarters: Dallas

Founded: 1975

CEO/Chairman: Norman Brinker

President: Ron McDougall

1983 units: 22

1988 units: 146

1983 sales: $35MM

1988 sales: $218MM

Average unit volume: $2MM

Earnings per share 1985: $0.82

Earnings per share 1988: $1.45

Employees 1983: 1,600

Employees 1988: 15,000

Hourly turnover: 100%

Salaried turnover: 20%

Mission statement: We aim to be a premier growth company with a balanced approach toward people, quality and profits; to cultivate customer loyalty by listening to, caring about and providing customers with a quality dining experience; to enhance a high level of ethics, excellence, innovation and integrity; to attract, develop and retain a superior team; to be focused, sensitive and responsive to our employees and their environment; and to enhance long-term shareholder wealth.

BEST-RUN COMPANIES

CHICK-FIL-A

New operators are surprised that the corporate creed says nothing about selling sandwiches.

* * *

Chick-fil-A's top executives have an average tenure of 15 years. The group includes three Cathys: founder S. Truett (back l.), Bubba (front l.) and Dan (front r.).

In 1982, 15 years after S. Truett Cathy opened the first Chick-fil-A restaurant, a series of problems descended upon the chain. Sales were down for the first time in company history. The company took on its first heavy debt load (with interest rates hovering around 21%) by building a five-story office on 72 acres. Burger chains began adding chicken sandwiches, giving Chick-fil-A its first taste of head-on competition. And because of the product rollouts, chicken prices soared.

Instead of panicking, founder S. Truett Cathy and his top managers, including sons Dan and Bubba, took a working vacation. "We had to decide, 'Why are we here? Why are we in business?' " explains the senior Cathy. In response, the 10 came up with a corporate purpose that guides the company: "To glorify God by being a faithful steward of all that is entrusted to us and to have a positive influence on all who come in contact with Chick-fil-A."

Oddly enough, the company's situation turned around the next year. Interest rates leveled off. Chicken producers began to meet demand, and prices dropped. The chain posted a 29% increase in sales, and 46 of the chain's 286 store operators won new Lincoln Continentals, their reward for achieving 40% sales growth. "You could call it divine intervention," says Cathy, with a sly smile.

More likely, the changes came about because management began working toward a big goal—satisfaction that comes from happy customers and a job done right—rather than focusing on solving small problems. Even today, new operators marvel that the company's mission statement says nothing about selling chicken sandwiches. And, religious allusions aside, the statement makes business sense: Make people feel good, and you'll create loyal customers. These days, all three levels of Chick-fil-A operations—top management, field managers and store operators—live this mission.

A plaque bearing the mission statement sits in front of Chick-fil-A's Atlanta headquarters, reminding the 200 corporate employees of their purpose. The Cathy family, which owns 100% of the company, strives for a holistic approach to benefits. In addition to health and dental insurance, profit-sharing and pension plans, corporate employees can get a free lunch every day. There's an exercise room and racquetball court in the basement; three times a week, an aerobics instructor holds a lunchtime class. Three nature trails crisscross the woods surrounding the Chick-fil-A building.

The Cathys have a caring attitude towards employees' families as well. Spouses are invited to every corporate meeting. If the meeting is held in another city, their travel expenses are paid. Employees are encouraged to take vacations at company-owned condos in Florida and at a rustic lodge on the campus of Georgia's Berry College, home of Chick-fil-A's WinShape Centre Foundation.

Chick-fil-A's 30-odd field-marketing and operations directors call Atlanta home. But they are usually out in the field, serving as conduits between top management and store operators. These days, they are busy relaying corporate's new commitment to quality.

Dan Cathy, senior vice president of operations, explains. A few years ago, the company's quality surveys indicated that customers thought Chick-fil-A offered the best chicken sandwich in the industry, but not necessarily the best service in the cleanest stores. "We were not where we wanted to be in customers' minds," he says.

After initially blaming the problem on training, he took the blame and started working on the problem. The solution is based on one simple premise: Do it right the first time, every time. "We're trained to think that 80% right is good—it's a passing grade," he says. "But if you're the ninth or 10th customer, 80% is not a passing grade."

Chick-fil-A operators are reminded

BEST-RUN COMPANIES

Employees vacation at company condos in Florida and a log cabin in the woods of northern Georgia.

Company: Chick-fil-A
Headquarters: Atlanta
Founded: 1967
Chairman: S. Truett Cathy
President: Jimmy L.S. Collins
1983 units: 289
1988 units: 390
1983 sales: $134.2 MM
1988 sales $232.2 MM
No. of employees: 13,000
Average unit volume: $621,300
Hourly turnover: Below 50%
Salaried turnover: 5% to 6%
Mission statement: "To glorify God by being a faithful steward of all that is entrusted to us and have a positive influence on all who come in contact with Chick-fil-A."

of the corporate purpose with an engraved desk set, a gift to every new operator from Truett Cathy since 1982. Scrupulous interviewing processes, a thorough financial check and a six-week courting period with new operators, however, ensures management that operators can and will carry out the Chick-fil-A mission.

This policy, teamed with careful checking of potential locations, has resulted in only four store closings in 22 years. And management points out that those stores closed only because the malls in which they existed closed. (Poorly operated units are not closed, but turned over to new operators.)

The operators—who are allowed only one store and cannot be involved actively in another business—pay Chick-fil-A a $5,000 fee to cover site selection and equipment leasing, hand over 15% of monthly gross sales and split net sales with Chick-fil-A. Operators are guaranteed first-year income of $20,000. The average Chick-fil-A operator makes $50,300 a year; operator incomes range from $20,000 to more than $100,000.

Although operators are independent business people, not Chick-fil-A employees, they are treated as such. Operators and spouses are invited, expenses paid, to each annual meeting. Regional meetings and workshops take place four or five times a year. And operators who post either a 40% or $200,000 sales increase over the year prior win a new Lincoln Continental.

Chick-fil-A doesn't ignore crew members either, even though operators dictate wages and benefits for hourly employees. Crew members who have worked at a Chick-fil-A restaurant for two years, average 20 hours a week and are recommended by their operator are eligible for $1,000 scholarships to the college of their choice. The scholarships are given to all who are deserving, not a set number of employees a year. Employees can also apply for a $10,000 scholarship applicable toward four years at WinShape Centre. Since 1973, Chick-fil-A has given more than $5 million in scholarships.

Scholarship recipients are not required to return to work at Chick-fil-A after the school season, but most do. Former crew members fill one-third of Chick-fil-A's personnel needs.

Chick-fil-A's strict policies regarding operators and sites have resulted in only four store closings in the company's 22-year history.

BEST-RUN COMPANIES

CREATIVE GOURMETS

Caring about employees lifts institutional feeding and private catering to an exceptional level.

◆ ◆ ◆ ◆ ◆

Stephen Elmont, Creative Gourmets' president (l.), and John Nash, director of patient services, Dana-Farber Institute (r.).

Creative Gourmets' employee handbook opens with this salutation from President Stephen Elmont: "Welcome! In this world of prepackaged, bland, boring foods with lots of additives, served by people who come to work because they have to, not because they want to—YOU are special. You have chosen to join a company where CARING is our most important attribute."

A strong, challenging statement, highlighted by the word *caring*. Behind this overused term is a hard reality. "Many of the people who come to our company have been used or abused in other jobs," Elmont explains. "They're here because they don't want it to happen again, and they're going to make sure no one at Creative Gourmets will be hurt as they're been. They really do care for people in the basis sense of the word."

Part of Creative Gourmets' mission statement says, "Our technology is in well-trained individuals. We fulfill our mission by providing excellence through caring for our customers and our employees." A tour of the offices in Boston brings the constancy of this concern to full view.

As one example, Creative Gourmets employs Dr. Barrie Greiff, a consulting psychiatrist who regularly works with anyone in the company, beginning with Elmont and his partner, Eugene Piacentini. In fact, the two brought in Greiff to deal with a crisis precipitated by the growing size of the company.

"Stephen and Eugene were going through a stress period," relates Greiff. "They wanted to be together on issues like excellence, quality, motivation and service to the consumer. They were smart enough to seek outside advice and mediation, and it helped greatly."

The impression given (and correctly so) is that people at headquarters are always doing one of two things: analyzing themselves or the company and critiquing their own ability to generate new ideas. Elmont is totally immersed in the process of gleaning new insights from any source. Greiff tells of having dinner with Elmont, and ending the meal by saying, "I don't think I learned anything tonight," then calling the next morning to say, "Yes, I did. It was a delayed reaction."

Employees are encouraged to voice their feelings, formally and informally. They can use "beeflets," small pamphlets that allow them to voice grievances. A grievance is defined clearly in the company handbook as "a worry, a concern, a problem that you wish to discuss, clarify or solve," and it is a given that every Creative Gourmets employee can express grievances—and have them addressed.

A more sophisticated mechanism was set up later in 1988 and is administered by Lenora Bowen, vice president of Support Services. It is called REACT (Response to Employee Assessment of Critical Topics). Bowen's initial memo on this program says, "Hourly employees and managers are the people who interact daily with our customers. They have a more immediate knowledge of what we as a company must respond to or work on. We must do three things: identify problems and priorities; attack, solve, work on, deal with these; and give feedback on results ASAP."

Four groups, representing both hourly and salaried employees, hammered out four things to be done: health-care options, improved communications through a newsletter, better mail-delivery system and more training for employees. The company responded to the demand for training by starting annual management seminars, dealing with topics such as computers, wine tasting and AIDS in the workplace. Creative Gourmets also is responding to the other requests.

Piacentini and Elmont invest willingly in the initial training of managers. Since 1984, 51 people have graduated from another Creative Gourmets' program called P.R.I.D.E. (Personal Responsibility for Independent Development of Excellence). P.R.I.D.E. re-

BEST-RUN COMPANIES

"Beeflets" are one mechanism for identifying and attacking problems in a customers-first organization.

quires the candidate to train in back of the house, catering and overall management. The cost to the company, which is based on the number of people who go through in a year, averages more than $3,000 per person.

Creative Gourmets' niche and basic operating philosophy is defined this way: "We aim to improve the quality of life in the environments in which we operate foodservice." One dramatic example of this is found in the service given to the Dana-Farber Cancer Institute in Boston. Many terminally ill patients are treated there, and Creative Gourmets' policy is that they will eat restaurant-quality food. The unwritten rule is managers are empowered to go anywhere to get a requested item.

From the start, back in 1975 when Piacentini and Elmont opened a small place called Soupcon, which served fresh, healthful foods, the two have wanted only to do superior food and service. When Commercial Union, from whom they had borrowed space, asked them to run its company cafeteria, they took the same criteria at work in Soupcon and applied them to institutional feeding. Today they serve 50,000 meals a day for more than 50 clients.

While Elmont and Piacentini have maintained their standards, they also have kept a sense of balance about their own importance in the Creative Gourmets success story. Everyone in the company still calls them Stephen and Eugene. The organizational chart, an inverted pyramid, places the customers at the top, followed by employees, with management in tiny type at the bottom.

The co-founders now act as in-house consultants to the more than 800 employees. Piacentini's forte is a complete mastery of the operational side, including food quality, menus and the intricate logistics of the many "affairs" continually in the works. Elmont is a catalytic personality who allots 25% of his time to counsel anyone in the company. He also chairs informal "nacho" meetings, in which department heads present status reports and major strategy is discussed.

Whatever the strategy, it always will have the words "caring" and "excellence" in it, for the benefit both of employees and customers.

CREATIVE GOURMETS Limited

Headquarters: Charlestown, Mass.

Founded: 1975

President: Stephen Elmont

1983 Accounts: 24

1988 Accounts: 50+

1983 Sales: $7.5MM

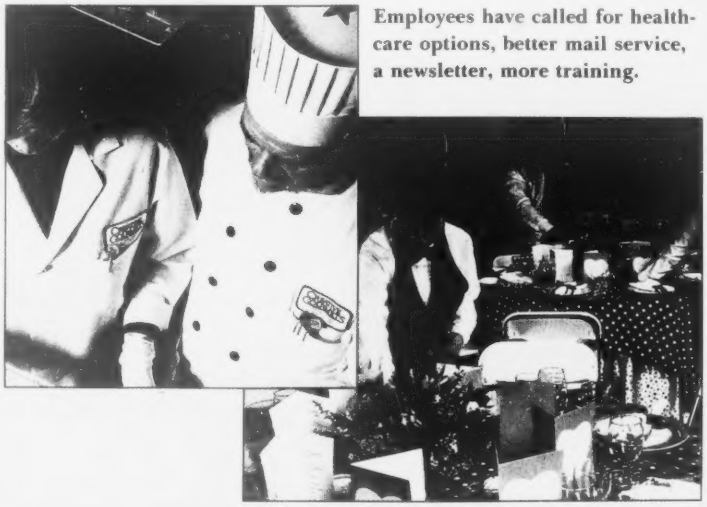
1988 Sales: $33MM

Employees: 800+

Hourly Turnover: 58%

Salaried Turnover: 27%

Mission Statement: "Excellence through Caring"



Employees have called for health-care options, better mail service, a newsletter, more training.

BEST-RUN COMPANIES

WHITE CASTLE

Product confidence has been built on economies of scale and "doing one thing well."

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Management's philosophy, based on loyalty through shared commitment and shared reward, has led to 68 years of expansion.

In 1935, long before there were labor shortages, Edgar Waldo "Billy" Ingram established a code to act as a guide to excellence and to ensure that employees work in "harmony, unity and contentment."

And, long before customer service became a hospitality-industry buzzword, Billy Ingram created a pledge to "serve the finest products, for the least cost, in the cleanest surroundings, with the most courteous personnel."

Founded in 1921, White Castle Systems Inc. is recognized as a fast-food pioneer. In the book "Orange Roofs, Golden Arches: The Architecture of American Chain Restaurants," author Philip Langdon says, "Nearly every aspect of the White Castle company served as an inspiration for other restaurateurs. Throughout almost the entire United States, local or regional chains took as their model one or more attributes of White Castle—the name, menu, operating procedures, construction techniques, materials and design."

Besides being an innovator in operations, White Castle is most respected for its benefits plan, its family orientation and a long-standing tradition to promote solely from within. Currently, all 12 area managers, covering 16 regions, started behind the counter as entry-level workers. Management insists that starting at the bottom is the only route to the top. Anyone who comes to work for White Castle is considered, in effect, a management trainee.

Another Billy Ingram saying, "We have no right to expect loyalty except from those to whom we are loyal," has paid off over the years. Of the company's approximately 9,000 employees, 235 have been with the company more than 25 years. (Nearly 500 employees have become members of the 25-Year Club over the decades.) White Castle's salaried employees have been with the company an average of 17 years; 10% of the employee population has been with the company more than 10 years.

What keeps employees around for such long tenures is one of the best benefit packages in the business. The company's comprehensive package includes free major-medical insurance, life insurance, paid maternity leave and long- and short-term disability for management. Full-time employees receive up to $700 annually as tax-free reimbursement for medical, dental and vision expenses not covered by health benefits. Eligible part-timers receive up to $525. This year, all employees are offered a $100 wellness benefit.

Allowing employees to share in the company's success is another reason White Castle has retained talented employees. Everyone can participate in the company pension plan, profit sharing and a unique bonus plan. The company establishes a bonus fund each year, based on a percentage of sales. Along with a Christmas bonus, each employee receives a percentage, based on length of service, at year's end.

One of the early signs that White Castle possessed the innovative spirit necessary to survive and thrive in what would become an extremely competitive industry was the method used to produce its unique hamburger. The small, square patty was designed to fit into a griddle. Five holes were poked in the burger to allow steam to escape, making it unnecessary to turn it over and, therefore, saving critical labor time.

Since loyal customers tend to buy the small burgers in larger quantities, the production technique has not been tinkered with. Add the "buy 'em by the sack" mentality and you get average unit sales of about $1.3 million, which often surpasses the volume of most major fast-food restaurants.

Without a blueprint for success in front of them, White Castle executives also developed the takeout market by designing a protective carton that was heat-resistant and strong enough to keep the hamburgers, covered by a light and delicate bun, from being crushed in a sack during transport.

Billy Ingram also had the foresight to identify the efficiencies that could be realized by building his own units, and established the Porcelain Steel Building Co. in 1934. Today, White Castle also operates three bakeries, for making their buns, and a meat-processing plant.

A few other adages bandied about the foodservice industry today are "back to the basics" and "do just a few things very well," ideals to which White Castle has adhered for years. During an era of menu proliferation,

BEST-RUN COMPANIES

Strong benefits, promotion from within, family orientation pay off in employee commitment.

White Castle

Headquarters: Columbus, Ohio
Founded: 1921
Chairman: E.W. Ingram Jr.
President: E.W. Ingram III
1983 Units: 176
1988 Units: 237
1983 Sales: $210MM
1988 Sales: $282MM
Average Unit Volume: $1.3MM
Employees: 9,000
Hourly Turnover: N/A
Salaried Turnover: N/A

White Castle has resisted industry fads and continues to rely on a rather basic menu. "We're known for one type of product, we have confidence in that product and we have consciously tried not to blur our image in the minds of our customers," says Bill Ingram III, current president and CEO.

White Castle's simple approach allows for mass production, lower costs and prices. The company believes each additional menu item does harm by dividing the skills and attention of employees. A broader menu also requires additional inventory, storage space and equipment, raising costs and, ultimately, prices.

There is another principle of Billy Ingram's that White Castle has kept alive over the years: "He who owes no money cannot go broke." That explains the company's methodic growth plan. While the company has incurred a small amount of debt, expansion comes, for the most part, from available funds.

"Having little debt makes us more financially sound," says Controller Bill Blake. "We avoid a lot of risk and maintain stability because we don't have to satisfy a steady stream of interest payments."

President Bill Ingram III says the slow growth rate allows the company to implement changes faster than the competition and creates a better balance of available people coming up in the organization, a problem currently running rampant throughout the industry.

Although the company licenses overseas, none of the 237 domestic units are franchised and the company has managed to remain a private concern.

"Larger companies that do other things have their attention easily diverted away from the restaurant business," says Ingram. "We have been able to stay more focused on running a very particular kind of operation.

"You can look around the industry and see a lot of companies that have diversified away from what made them successful in the first place," Ingram adds. "We don't want to fall into that trap."

THE White Castle CODE

Let us all try:

- To do our work well.
- To avoid carelessness that causes unnecessary work for others.
- To learn all we can about what we are doing and why.
- To excel in everything we do.
- To fit into the group and be worthy of the other person's confidence and respect.
- To understand the other person's problems and help him as much as we can.
- To be good housekeepers and take a pride in ourselves and our work.
- To be kind and considerate in our words, thoughts and actions.
- To treat others the way we would like to be treated.
- To have faith in ourselves, in each other, and in the accomplishment of our purpose.

There is certainly some sure way in which men can engage in their several duties in harmony, unity and contentment. So let it be the purpose of each and every one of us to strive to seek to find that way.

Sincerely yours,

Billy

The White Castle Code has translated to average unit volume sales of $1.3 million, surpassing most major chains.

BEST-RUN COMPANIES

RESTAURANTS UNLIMITED

Restaurant employees mind the restaurants, while corporate executives mind the company.

✦ ✦ ✦ ✦ ✦

"Our profits are not 'correct' in terms of our sales," says Chairman Rich Komen. "But we will not become bottom-line driven."

Restaurants Unlimited boasts a stack of great service stories higher than Mt. Rainier. A wedding party of 25 showed up at Cutter's in Seattle on a Saturday night without a reservation and was pampered, champagne toast and all. A Simon & Seafort's employee driving to work in Long Beach, Calif., saw a regular lunch customer standing at the bus stop. Since they were both going to the same place, she pulled over and gave him a lift to the restaurant. The staff at another Seattle Cutter's delivered a birthday dinner to a regular customer who had broken his leg.

These stories—published in *Food for Thought*, the company's sporadic in-house newsletter—serve two purposes. First, they provide a public pat on the back for the employees who knock themselves out for customers. Most important, the stories reinforce the company's foremost rule: Act Guest First. "We never say no to customers—we just don't do it," says Ray Lindstrom, president of the Seattle-based company that operates 20 dinner houses in five states.

To make sure that servers never say no, they are given final say over every decision that affects a guest's dining experience. Servers never need managers to approve a decision, not even if it means providing a free meal in exchange for an unsatisfactory one.

In exchange for taking care of customers, Restaurants Unlimited takes care of employees. A solid benefits package includes health and dental coverage, as well as profit sharing, for salaried and hourly employees. No formal employee-assistance program exists, but employees with special needs can seek help through company channels. Employees 21 and over who have worked at the company for at least two years can put up to 10% of their annual income into a pension plan. General managers' salaries depend in part on how well their restaurants perform and how much they contribute to the bottom line. Mystery shoppers help evaluate general managers' performance: Each restaurant has two lunch and two dinner shoppers a month. General managers see every report.

Employees also benefit from a certain spirit that pervades well-run, successful companies. George Theisen, vice president of human resources and a 10-month Restaurants Unlimited veteran, is best qualified to comment on the company's reputation. When Theisen headed up recruiting for Chi-Chi's, he discovered that he could not hire anyone away from Restaurants Unlimited. He also says that the company's spirit reminds him of another restaurant company he worked for: S&A, in the early days, under the leadership of Chili's Chief Executive Norman Brinker.

Delegating responsibility for customers also allows top management—Lindstrom and Chairman Rich Komen—to chart the company's future. The company looks only two years ahead when setting sales, unit and profit goals. Management looks at a five-year horizon with plans that carry more risk, such as major menu renovations and new concepts.

The company's two biggest risks to date have proved not only worth taking but vital to growth. About 10 years ago, management decided to remake two of the then-11 units—classic 1970s theme restaurants—into what Komen calls a "grand cafe" concept, offering good service and good food in a subdued atmosphere. The risk paid off. One of the two restaurants, located in North Seattle on a marginal piece of real estate, posted a 150% sales increase, from $1 million to $2.5 million, the year it was converted.

Restaurants Unlimited took another big chance in December 1985 with Cinnabon, its 60-unit chain of cinnamon-roll bakeries that adds about $25 million to annual sales. Instead of becoming a franchisee of an existing cinnamon-roll chain, the company created its own cinnamon roll and accomplished two objectives. First, the move established the company's presence in

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BEST-RUN COMPANIES

The company wants restaurant managers to take weekends off and to work only 55 hours a week.

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malls, and second, it built a division of the company that could grow through franchising.

Restaurants Unlimited executives have five major plans to enact during the next two years. They plan to start two new concepts: Zoopa, a cafeteria-style soup, salad and sandwich restaurant, and an unnamed casual concept.

Second, even though they say the company is not bottom-line driven, Komen and Lindstrom want to work at increasing profits. "Our profits are fine," explains Komen, "but not 'correct' in terms of our sales." Outside factors are to blame in part. Last year, the minimum wage went up to $4.25 in California and to $3.85 with no tip credit in the state of Washington. Also to blame, ironically, is the company's guest-first policy. Since servers are free to give away meals, drinks and desserts if the situation warrants it, the restaurants probably do not have as tight a rein on food costs as they might. "It's easy to compromise profits in the name of the customer," Komen admits.

The third goal calls for adjusting already-simple store operations to cut down on paperwork and limit managers' schedules to 55 hours a week. "We don't work Saturdays and Sundays: Why should managers?" reasons Lindstrom. Store-level managers already have devised creative ways to break up the work week. At several of the restaurants, dinner managers work lunch on Friday and Monday, and lunch managers work dinner on those two days, meaning both people add an extra half-day to their weekends. Weekend responsibilities are shouldered by other staff members, a policy that allows aspiring managers to gain experience.

Managers believe that achieving this goal will help them achieve another: attracting and retaining good management help. "We've gotten out of touch with the post-baby-boom generation of workers," says Lindstrom. New managers want to work hard, he says, but they also insist that employers give them time for a life outside of work.

Finally, executives want to continue to keep abreast of dining trends and put systems into place that will allow the restaurants to react to these trends. "Our most important role is that of service to the field," explains Theisen. "We cannot get complacent." R&I

Company: Restaurants Unlimited
Headquarters: Seattle
Founded: 1969
Chairman: Rich Komen
President: Ray Lindstrom
1983 units: 15 dinner houses
1988 units: 20 dinner houses, 85 Cinnabon cinnamon-roll bakeries
1983 sales: $35MM
1988 sales $81MM
No. of employees: 2,700
Average unit volume: $3MM for full-service; $325,000 for Cinnabon
Hourly turnover: 100%
Salaried turnover: 32%
Mission statement: "To build a growing, financially successful business through increasing sales and excellent profits. This is achieved by living these values: We act Guest First. We deliver high quality food every time at reasonable prices. We give great service and engage each guest. We hire the best and care about them. We are clean!

OTHER WELL-RUN COMPANIES

R&I recognizes the following for their admirable attributes:

Bob Evans Farms: Promotes from within. Down-to-earth management approach, with mid-level management involved in top-level decisions. Top 14 officers have 16-year average tenure.

Eateries Inc.: Through slow growth (one or two units a year), has built successful chain in depressed Oil Patch. Sales increased 227% in past year.

Levy Restaurants Inc.: Philosophies and visions translated by hands-on, top-management team. Levy Legend award worth $1,000 for any employee who goes beyond the call of duty. Sales have doubled to $60 million in past year.

McDonald's: Operates on "risk-reward" principle, preferring that employees try 10 ideas and succeed three times rather than try only three ideas.

Pizza Hut: Creates opportunities for minorities by signing over plum company territories to minority franchisees.

Red Lobster: Sends employees through four-day training program before opening a restaurant. Encourages servers to "bend the rules."

Restaurant Associates: Never forgets that satisfied customers are the only basis for success. Attributes financial success to prudent diversification. Lets individual businesses run themselves.

ACTION EXPRESS

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RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in January, February, March, May, July, September and November) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Charles H. Moodhe, Senior Vice President/General Manager, Chicago Division; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address. RESTAURANTS & INSTITUTIONS copyright 1989 by Reed Publishing USA. Ronald G. Segel, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people: USA: 1 year $99.95, 2 years $189.95; Canada/Mexico: 1 year $115, 2 years $205; other countries surface mail: 1 year $155, 2 years $290; and air mail: 1 year $240, 2 years $460. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.

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ECONOMIC EXPERTS

Consumers Equivocal on Nutrition Issue

Knowledge about proper diet grows, but poor eating habits persist.

Taste preferences and food consumption habits change over time, and the foodservice industry has been both a leader and follower of these trends. Today's major question is whether consumers have become more health-conscious in what they choose to eat.

The answer to this question, unfortunately, is not clear cut. Although many consumers are more knowledgeable about nutritional requirements and try to eat properly, the demands on time and need for convenience seem to be tugging the consumer in both directions at once.

In 1987, the average American ate 237 pounds of meat, poultry and fish—up from 228 pounds in 1977, according to U.S. Department of Agriculture statistics. But during this period, consumption moved more towards poultry and fish, and away from fattier meat products. Consumption of red meat actually fell by 18.2 pounds (11%) from 1977-1987, while poultry consumption grew by 24.9 pounds (47%), and fish consumption grew by 2.7 pounds (21%).

Still, red meat continues to constitute 61% of the total pounds consumed by the average American (down from a peak of 74% in 1968, and down from 71% in 1977). Poultry, on the other hand, is now 33% of consumption for center-of-the-plate items, up from 23% in 1977. Fish and shellfish consumption continues to lag far behind, with just 6.5% of the total (up from 5.6% in 1977).

At the same time, per capita consumption of dairy products—most of which are high in saturated fats—has increased from an average of 542 pounds in the 1975-79 period to 598 pounds in 1987, an increase of 56 pounds (10%). Other news: Consumption has grown 18% to 63 pounds per person for fats and oils, a whopping 188% to 19 pounds per person for sugar substitutes, and 18% (since 1977) to 12 pounds per person for coffee and tea products.

In addition, consumers are eating more fresh fruit and fresh vegetables. Per capita consumption of fresh vegetables was up 15% between 1977 and 1987, and consumption of fresh fruit was up 25%. Similarly, per capita consumption of eggs has is down 7%, to 32 pounds per person, since 1977.

Overall, consumers are a bit schizophrenic about their eating habits, although the trend for major product categories seems to be towards more healthful eating. It will be a long time before consumers are willing to give up good living for a longer life. —*Kim Kennedy*

From 1977 to 1987, consumption of fresh fruits and vegetables increased about 20%.

CONSUMER EATING HABITS

From 1977 to 1987 consumers ate more:

Low-cal sweeteners	+188%
Poultry	+ 47
Low-fat milk	+ 40
Fresh fruit	+ 25
Fish and shellfish	+ 21

From 1977 to 1987 consumers ate less:

Whole milk	−38%
Refined sugar	−34
Processed fruit	−12
Red meat	−11
Eggs	− 7

Source: U.S. Department of Agriculture

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RESTAURANTS & INSTITUTIONS, a Cahners publication
1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5080 Phone 312/635-8800
Cahners Publishing Company, A Division of Reed Publishing USA ☐ Specialized Business Magazines for Building & Construction ☐ Research & Technology ☐ Health Care ☐ Entertainment ☐ Manufacturing ☐ Foodservice & Lodging ☐ Electronics & Computers ☐ Interior Design ☐ Printing ☐ Publishing ☐ Industrial ☐ Specialized Consumer Magazines: American Baby ☐ Modern Bride

RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in January, February, March, May, July, September and November) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Charles H. Moodhe, Senior Vice President/General Manager, Chicago Division; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address.

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Ronald G. Segel, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people: USA, 1 year $99.95, 2 years $*89.95; Canada/Mexico, 1 year $115, 2 years $205; other countries surface mail, 1 year $155, 2 years $290; and air mail, 1 year $240, 2 years $460. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.

McDONALD'S: COMPANY OF THE QUARTER CENTURY

RESTAURANTS & INSTITUTIONS

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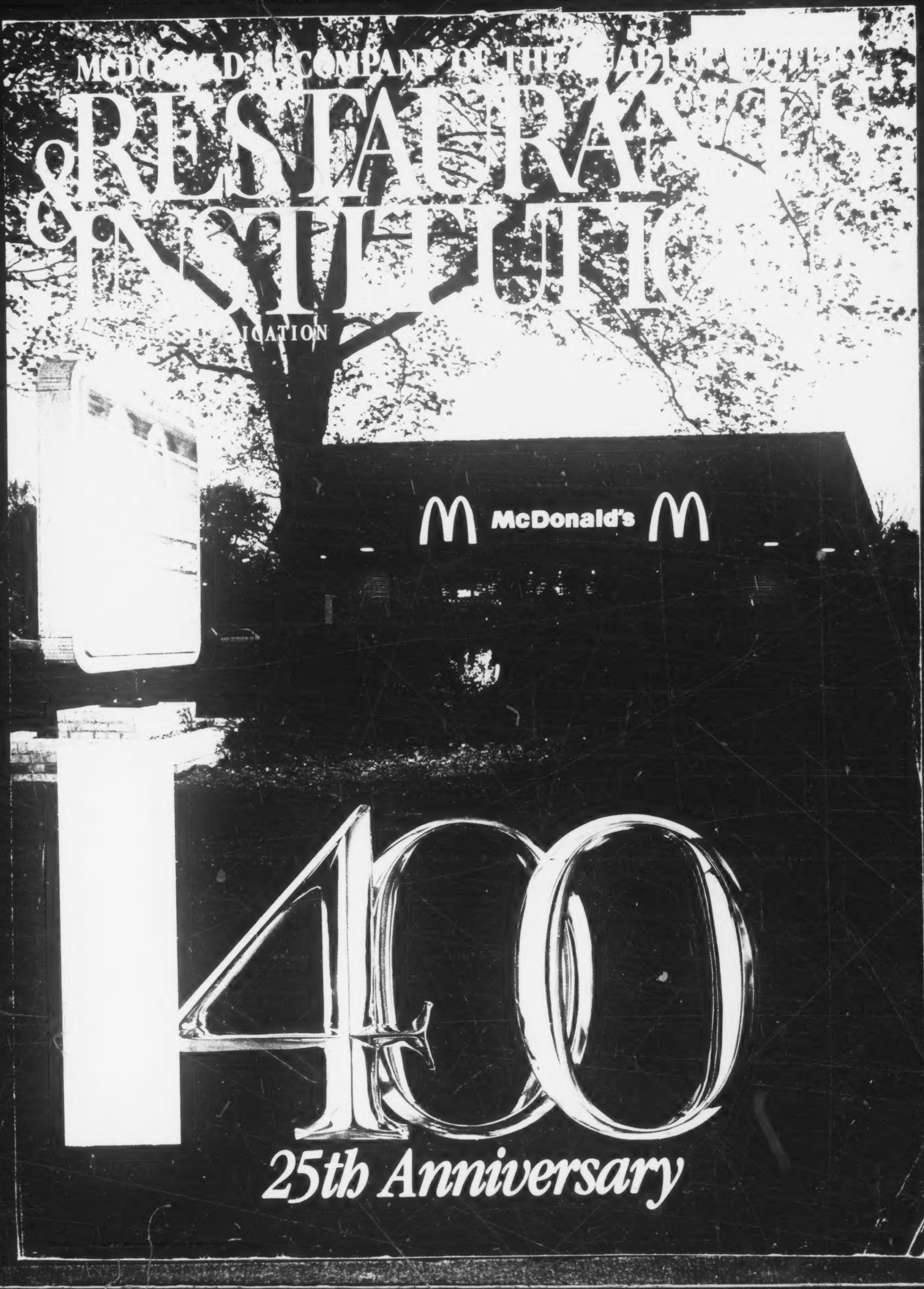

400

25th Anniversary

BRIEFINGS

400

NOW HIRING
McDonald's

R&I EXCLUSIVE INTERVIEW: McDONALD'S

Only three times since its founding by Ray Kroc in 1954 has McDonald's Corp. granted wide-ranging interviews to the foodservice press. All three times, it was with *Restaurants & Institutions.* Once again, for this 25th Anniversary issue, McDonald's has opened its doors to *R&I* editors, who hold them open for you to take a close look at the company that for the past quarter century has done the most to build and define this industry and give it worldwide respectability. *R&I* editors interviewed 17 executives, including Edward Rensi, president and chief operating officer (l.), and discuss marketing and operations, franchising, new products and expansion plans of the company. We asked this unique global marketer where it sees itself heading into the 1990s. They gave us the franchise to tell their story . . . the whole story. It begins in this issue . . .

***R&I* Exclusive on page 32.**

25 YEARS

■ SILVER SERVICE

In the quarter century of its existence, the "400" has made news and caused controversy. It has helped institutional operators fight for funding and given entrepreneurs a goal to reach for. But most of all, it has chronicled the good times and the bad that foodservice has enjoyed and endured. We travel in time from 1965 to today, tracking the winners and losers and financial moves of the "400."

Retrospective on page 22.

■ NEW "400" RANKING

For 24 years, *R&I* used parent companies as the basis for our ranking of the foodservice giants. This year we are breaking out parent companies to show restaurant brands. We also created separate rankings for franchisees and for purchasing groups that do not run foodservice operations.

Story on page 72.

■ FINANCIAL HEALTH

It was a year of the LBO, the takeover and spinoff. It was a breakup, rather than a makeup, year for most large companies. But if corporate moves in '88 pay off and operating strategies stay solidly in place, the richer will get richer and more powerful. A large contributor to one company's success was the acquisition of Chi-Chi's by Foodmaker.

Story on page 170.

■ FRANCHISING

The franchising front saw a new trend—the acquisition of major company-owned systems converting to franchised operations. A continuing trend is the cry of disenchanted franchisees for more freedom to grow. *R&I* focuses on Collins International Foods.

Story on page 176.

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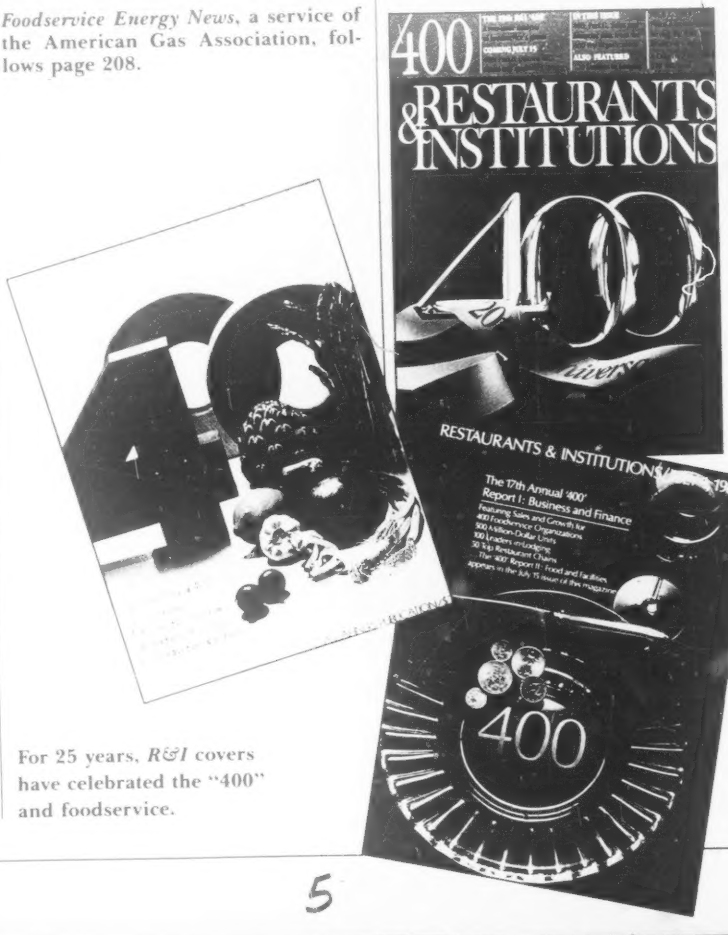
JESSE H. NEAL
EDITORIAL
ACHIEVEMENT
AWARD

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine.


400
RESTAURANTS & INSTITUTIONS
400
RESTAURANTS & INSTITUTIONS
1981
The 17th Annual '400'
Report I: Business and Finance
400

For 25 years, *R&I* covers have celebrated the "400" and foodservice.

RETROSPECTIVE

25th ANNIVERSARY OF THE 400

RESTAURANTS & INSTITUTIONS

"The unknown has been charted. The realm has been defined. Here, for the first time, the nation's fourth-largest industry has been given form and dimension. . . . The Four Hundred represents success taken to the 400th power, where tiny errors become grotesque, and sheer size can multiply a good idea into a fortune. This is the power structure at the top of the pyramid."

That was the way it all began back in July 1965. For the first time, the editors of *R&I* had researched and ranked the 400 biggest organizations in foodservice/lodging.

In the process, they created a new industry—one destined for amazing growth in an astonishingly short period of time.

In 1965, the total combined sales of all the "400" organizations were slightly more than $8 billion—just half the 1989 sales of McDonald's alone.

In 1989's "400," there are 21 billion-dollar babies. In 1965, there were none. But among the top 10 companies whose sales *R&I* reported in 1965, the editors found a five-and-ten-cent store that was a $132 million baby: F.W. Woolworth.

Of the seven five-and-dime stores listed in that first "400," only Woolworth and McCrory Stores still exist in the listing.

But there also have been astonishing successes. Witness the rise of companies such as Little Caesars, Subway and Domino's that came from nowhere and have ended up as members of the exclusive "400" billion-dollar club.

In addition to new companies, new concepts have reshaped the "400":

□ Looming large over the past decade are the foodservice-management contractors. As hospitals, colleges, airlines and other businesses have become disenchanted with operating their own foodservices, the contractors have prospered.

□ Concern for health and nutrition has contributed to sales at chains such as El Pollo Loco, Benihana, TCBY, Legal Sea Foods and Rusty Pelican. But the now-gone D'Lite's reminds us that health and nutrition alone are not enough to sustain a "400" company.

A public in the grip of a nostalgia boom has created a new niche for down-home, comfort-food concepts such as Grandy's and PoFolks, as well as for ice cream and cookie chains.

Pizza chains have been listed in the "400" since its inception. But today's rediscovery of a taste for Italian cuisine now also has resulted in the success of a flourishing new chain, General Mills' Olive Garden.

□ In one sense, upscale Italian concepts have simply imitated what happened in the Mexican segment when chains such as Chi-Chi's joined Taco Bell in the "400" ranking.

Filling the void left when traditional fast-food stores vacated the lower-end niche, convenience stores such as 7-Eleven have become major players.

Philosophical heirs of the early Gilbert-Robinson concepts, companies such as Lettuce Entertain You and Levy Restaurants, operate units that look and operate like independent restaurants.

Of course, no look at the "400" would be complete without a comment on mergers and acquisitions. While we might think that this is purely an '80s phenomenon, the truth is that "400" companies have been buying and selling each other since the beginning.

In the early '70s, food companies and unrelated industry groups, such as LTV, strove to make a quick return by purchasing fast-food chains. Rather than diversification, the goal of today's merger mania is streamlining. More accurately, we can call it mergers and divestitures—seller-powered transactions that enable one company to take over another for its real estate or to sell off its assets. General Mills' sale of York's and Grand Met's sale of S&A Restaurant Corp. are examples.

In the last analysis, the best testimony to the strength of the "400" and the foodservice industry that it chronicles are those timeless companies that face the future with 25 years or more of experience under their belts. Listed in this Silver Anniversary "400" are more than 80 companies and institutions doing business under the same name that was listed in the first "400."

In the quarter-century of its existence, the "400" has made news and caused controversy among CFOs and financial analysts. It has helped institutional operators fight for funding. It has given entrepreneurs a goal.

But most of all, it has chronicled the good and bad times that foodservice has enjoyed and endured over the past quarter-century. On the pages that follow, *R&I*'s editors invite you to join them in traveling back in time to those wonderful days when only 21 members of the "400" were publicly held companies, most chains were hotels, and the military dominated institutional operations.

The more things change, you will find, the more the "400" companies change to meet the challenges.

—Jane Young Wallace

For 25 years *R&I* has chronicled the progress of the "400," watching company after company transform a good idea into a fortune.

RETROSPECTIVE

TIME

☐ **1965** With combined purchasing clout of $1.4 billion, government foodservices—military and school lunch—dominated the first "400's" ranking. There were, however, also private enterprises among the top 10: Howard Johnson, Big Boy drive-ins, ARA, F.W. Woolworth and McDonald's. (Five offspring chains of fourth-ranking Big Boy's chubby symbol also made it into the first "400") . . . ARA had 120 salesmen in the field negotiating contracts with B&I, colleges, hospitals . . . 10th-place McDonald's, with 688 units and $130 million in sales, had just gone public on both the stock market and TV.

☐ **1966** Companies jump on the franchising bandwagon; investors stand in line for a piece of the action . . . Norm Brinker opens Steak & Ale . . . Vietnam build-up pushes military volume to new heights . . . Social consciousness appears in the form of Headstart and school breakfast programs . . . Inter-Continental pierces the Iron Curtain with a hotel contract in Hungary . . . Southland's 7-Eleven units sold 150 million Slurpees . . . McDonald's adds a fish sandwich.

☐ **1967** Conglomerate is added to the foodservice business lexicon as Litton Industries and Stouffer begin a stormy relationship . . . Others playing the merger game: Pillsbury/Burger King; Baskin Robbins and TWA/Hilton; Marriott buys Bob Wian's Big Boy rights; Jack In The Box joins Foodmaker . . . The 15-cent hamburger goes the way of the 5-cent phone call—McDonald's raises price to 18 cents . . . KFC grows by $101 million in one year.

☐ **1968** Wall St. declares us a glamour industry—stocks skyrocket 75%, with 49 stocks advancing more than 165% . . . Celebrities play the "400" game—Roy Rogers, Eddy Arnold, Howard Hughes, Mahalia Jackson . . . Acquisition by conglomerates makes news—ITT/Sheraton; Ralston Purina/Foodmaker; General Foods/Burger Chef; Amfac/Fred Harvey; . . . Campus building boom bigger than ever.

☐ **1969** Government questions franchise practices . . . Mergers and acquisitions take place within the industry . . . schools move deeper into community feeding projects and day-care centers . . . Big Mac makes a debut to compete with the Whopper and Big Boy . . . The Holiday Inn sign stops traffic in far-flung Bangkok and Durban (S. Africa) . . . Saga Administration Corp. acquires Straw Hat Pizza and Pizza Palace . . . Bowling is profitable this year for Brunswick Corp. . . . ARA has a new public restaurant division on the drawing boards.

☐ **1970** The top 25 companies are larger than the entire "400" in its first year . . . Volume leaps on the institutional side, with ¼ of the top 25 institutional organizations . . . USDA school-lunch volume up $250 million as a result of free and reduced-price meals; begins giving dollars to local systems . . . New ruling allows contractors into school operations . . . KFC opens first Tokyo outlet . . . Stock industry index falls.

☐ **1971** Money is tight all over. Idealism confronts harsh reality as institutional budgets pinch and state tax money runs short . . . On the commercial side, top executives in 31 of the "400" companies resign or are fired . . . Bankruptcy and Chapter 11s hit some members of the "400" for the first time . . . Heublein begins talks with KFC in one of the last big outsider buys . . . First rumbling of hotel overbuilding as occupancies slip, room rates rise . . . But industry stocks turn up, once again leading the Dow . . . Holiday Inns become first billion-dollar foodservice/lodging combine.

☐ **1972** New blood enters the "400" for the first time, growth at the bottom is

McDonald's
DRIVE-THRU
TACO
BELL
DRIVE THRU

LINE

greater than at the top . . . Family dining and health care are the new "in" markets and Wall St. discovers the concept restaurant . . . Cutbacks hit government institutions. Vietnam wind down reflects in military volume as food purchases drop 30% . . . General Foods writes off $47 million Burger Chef loss (purchased in 1969); Pet writes off $5 million Schraffts and Stuckeys operations . . . Chicken Delight ruling changes way franchisees purchase.

☐ **1973** Gilbert-Robinson fields Houlihan's concept . . . KFC and McDonald's report sales of over $1 billion . . . Merger fever hits the "400's" middle, with mini-chains growing out of franchisee combines . . . but spin-offs continue as Litton sells Stouffers to Nestle . . . Budget motels make first "400" appearance . . . Leisure and health care still growing . . . Marriott acquires a cruise ship division and develops $65 million "Great America" family entertainment center.

☐ **1974** USDA and the Army surrender rank to McDonald's #1 and KFC's #2. Hotel/motel expansion plans at standstill as energy crisis hits; hotels develop new respect for food & beverage profits . . . Department stores show big growth; switch to specialty snack bars, limited-menu service . . . No resistance to higher room and board rates from students flocking back to campus . . . Victoria Station, Cafeterias Inc., Hungry Tiger, Calny Foods and handful of Big Boy franchisees are now public companies. The "400" ends its first decade: All "400" companies account for a volume as great as that of the entire foodservice industry.

☐ **1975** Controversy over fast food in schools heats up . . . Cost of doing business gives fine-dining establishments indigestion, food costs up 21%, labor costs up more than 15% . . . Prodded by tight money, hotel chains like management contracts which free capital. Healthcare firms consider this tactic . . . McDonald's is still #1. Moving into the top 10 in 10 years—Marriott, Holiday Inns, KFC, Dairy Queen and Burger King . . . Energy conservation major industry issue.

☐ **1976** This year sees the passing of the venerable old-line Royal Castle and the rebirth of American News (Ancorp), one of the original top 25 in the "400" . . . A hospital purchasing co-op establishes a foothold in the "400" . . . Recession took its toll in flat lodging sales growth, yet Morrison and Associated Hosts have cash to increase expansion . . . Hospitality Motor Inns adds recreation and seafood . . . Wendy's, new to the "400", put on "weight—grew from #213 in '75, to #102.

☐ **1977** Acquisitions and mergers reshape the "400". Stouffer's acquires Borel; Carlson Co. (which owns Radisson) combines with TGI Friday's; Steak & Ale joins the Pillsbury group; Dog n Suds went to Frostie Enterprises . . . Ponderosa, Straw Hat Pizza, Whataburger, Cassano's resumed expansion through franchising . . . Adventists Hospitals became the largest new entry ever in the ""400"." Its $140 million commercial equivalent places it at #58 . . . Salad bars sweep the country; a wave of fast-seafood concepts follow the successful launch of Long John Silver. What's next? Gilbert-Robinson votes Mexican with Annie's Santa Fe.

☐ **1978** Best year since '68 . . . Five billion-dollar babies in the "400"—McDonald's, KFC, USDA, Marriott and Pillsbury . . . Acquisition acts include those of Arby's and Royal Crown, Green Giant and Hoffman House, TraveLodge and Knott Hotels . . . Pepsi begins negotiations with Pizza Hut . . . Taco chains hot new ticket . . . Broad-based management contractor, Gladieux, goes public . . . U.S. hotel firms have lion's share of Midwest lodg-

25 YEARS

TELECONFERENCE
TONIGHT
WELCOME HBC

RETROSPECTIVE

TIME LINE

ing . . . Servomation likes the potential of elderly-feeding and child-nutrition programs . . . Unions single out foodservice for special attention . . . Food activists call for a ban on all "junk" foods.

☐ **1979** Wall St. urges good companies to go public—Wendy's and Cafeterias, Inc. do . . . Already on the board, American Medicorp has the greatest stock-price increase, 172%, followed by La Quinta Hotels at 163% . . . W.R. Grace weds Gilbert-Robinson while engaged in joint venture with Del Taco . . . Sambo's and Sizzler into solar-heating systems . . . Newcomer Godfather's fastest growing concept . . . Day-care and Title VII programs for the elderly expand responsibilities for schools . . . "400" sales equal 45% of U.S. foodservice market and nine billion-dollar companies lead the industry.

☐ **1980** J.C. Penney becomes European franchisee of Wendy's; Trans World Corp. becomes a Hardee's franchisee with purchase of Spartan Foods . . . LJS, Sonic, Dunkin' Donuts, Sambo's, Jack In The Box and Big Boy open their 1,000th units . . . Prisoners get life from daily servings of fresh salads . . . Among growth leaders is Pioneer Take-Out . . . Hershey Foods Corp. sweet on Friendly Ice Cream Corp . . . Wienerwald acquires Lums, then a controlling interest in IHOP . . . Humana healthcare registers largest sales gain in the "400."

☐ **1981** Ponderosa and Steak 'n Shake take a beating on Wall St. but Bob Evans reports a dividend increase . . . Popeyes, Rax, Domino's and Frontier Enterprises are among sales growth leaders in commercial ranks . . . In institutional ranks, growth leaders are Northwest Airlines, Los Angeles County Schools, Hospital Dietary Services . . . Though '80 was the worst year in its history in terms of % of growth, the "400" still performing better than the industry as a whole.

☐ **1982** Intl. Dairy Queen joins the billion-dollar club . . . General Mills adds The Good Earth healthful-food chain and Darryl's nostalgic theme restaurants. Health-food concepts, an extension of the salad bar, are tried by Hilton, ARA and Interstate United . . . Subway adds salads to sandwich menu—sales jump 33% . . . Beatrice Foods loses in its bid for Bob Evans; Imasco wins Hardee's; Imperial adds Howard Johnson.

☐ **1983** "400" moves cautiously toward renewal of its former vigor—sales climb 12.3% . . . Chi-Chi's and Grandy's contribute to growth . . . Burger Chef and Hardee's merge; Marriott acquires Gino's and Host Intl. . . . Video games score with customers . . . Pizza Time Theater and Show Biz Pizza entertain the kids, the latter with a 109% sales gain in a year . . . The Burger War is declared . . . John Teets, new CEO of Greyhound, will stun the transportation and franchise world—he'll ditch buses and Post Houses for fast food.

☐ **1984** Wienerwald sells American holdings; Quaker sells Magic Pan; Marriott sells Farrells and 108 Rustlers units . . . On the other hand, VICORP buys Poppin' Fresh from Pillsbury; Golden Corral owns Sirloin Stockade; Saga acquires Grandy's, and a PoFolks deal "Krystalizes" . . . Budget cutbacks hurt USDA school foodservice . . . Wendy's cry of "Where's the beef?" heard throughout the land; a lot of it was in the new gourmet burger.

☐ **1985** A sales leap of 139% catapults Kelly-Johnston (Duff's, etc.) in ranking . . . The Riese Corp. to develop 300 new restaurants . . . White Castle's mail-order sliders become a cult item . . . Chart House Godfather marriage gives birth to Diversafoods (BK franchisee, Luther's BBQ, et. al.) . . . Shoney's secedes from Big Boy system . . . Baby boomlet adds to preschool populations; Morrison explores Lifecare . . . Combined sales of "400" surpass 50% of the total industry sales . . . McDonald's first "400" company to top $10 billion annual sales.

☐ **1986** Howard Johnson likely buyout candidate . . . Marriott buys Service Systems from R.J. Reynolds and B&I contracts from Gladieux . . . Saga buys Spectrum Foods . . . General Mills looking for buyers of its Casa Gallardo, Darryl's and Good Earth . . . Disney and TWA are targets for corporate raiders, while Hilton and Jerrico have poison-pill provisions . . . Chicken nuggets are gold and home delivery rings a bell.

☐ **1987** Red Lobster largest dinner-house chain with 386 units; Olive Garden is planted . . . Taco Bell is #1 Mexican chain; Ryan's Steak House grows a meaty 67% . . . Merge of Macke and Servomation makes a billion dollar #19 in the "400" . . . Contract foodservice generates 62% of revenues for Saga . . . AUV for Legal Seafood units is $6 million; $3.7 million for Melman Collins Ed Debevic's . . . Burger King adds Chicken Tenders . . . Not responding to the Burger Wars but to public tastes, McDonald's blows everyone away with McD.L.T.

☐ **1988** Pepsi's acquisition of KFC moves it into #2 spot, unseating Pillsbury. PepsiCo's holding of 14,811 outnumbers McDonald's 9,410 units . . . The "400" up and over the $100 billion mark . . . Little Caesars hot new "400" chain, sales up 415%, units up 375% since 1982 . . . Looking for new sources of revenue, Hospital Corp. of America emphasizing outpatient and homecare services . . . ARA purchases Szabo; Morrison buys Custom Mgmt. . . . Institutions become major players in fast food. McDonald's places healthful food ads in news and women's magazines; Rome unit rings up $5 million in sales.

☐ **1989** . . . the past is prologue. The present is a time of cautious regrouping. "Back to basics" philosophy has almost run its course; the time for radical innovation is fast approaching. In retrospect, the problems of the imperfect present will seem insignificant. For foodservice today, as in the past, a promising future awaits.

—Audrey Garvey

400: EXCLUSIVE

McDONALD'S

"We worry as much about a single french fry as some companies worry about financial ratios." —Ed Rensi, chief operating officer

This special report is the first of two articles based on interviews with McDonald's executives, franchisees and restaurant managers.

By Lisa Bertagnoli

RESTAURANTS & INSTITUTIONS

COMPANY OF THE QUARTER CENTURY

It is the colossus of the foodservice industry. Its corporate name is the fifth best-known in the world. It feeds 22 million people a day, using millions of pounds of product, and if it ever rolled out shrimp salad, it could consume half the world's harvest of tiny shrimp. It courts investors from all corners of the earth. Its spokesman is a clown, its principal business is selling burgers, and its contribution to the English language is the ubiquitous prefix "Mc." In sum, McDonald's Corporation is an extraordinary 20th-century phenomenon.

In today's business climate, it is rare for one company to completely dominate an industry. Yet, in the same way that Disney reigns over the entertainment business and Coca-Cola commands the international soft-drink market, McDonald's leads the restaurant industry.

The burger chain's 1988 sales were $16.1 billion, more than those of its nearest three competitors combined. McDonald's spent $1 billion on advertising and marketing last year, more than most chains' total receipts for the year. The corporation's financial strength prompted Wall Street to take it out of the realm of foodservice in 1985, listing it as one of the Dow Jones 30 Industrial stocks.

And McDonald's keeps growing. Despite its base of nearly 11,000 restaurants, the chain plans to open another 600 to 650 restaurants this year, 60% of which will be in the United States. "Saturation applies to our competitors, not to us," said Chief Executive Officer Michael Quinlan at the annual shareholders meeting. McDonald's has been building an international presence since opening its first Canadian restaurant in 1967; the chain's overseas restaurants contributed $4.7 billion to sales last year.

How did McDonald's amass such a strong lead, especially considering that its competition such as Burger King, Kentucky Fried Chicken and Dairy Queen—all were born during the same decade? To find out, *Restaurants & Institutions* interviewed McDonald's executives at their home office in Oak Brook, Ill., and visited franchisees at their restaurants.

McDonald's executives say sticking to Founder Ray Kroc's Q.S.C. & V. formula—quality, service, cleanliness and value—keeps them far ahead in the foodservice game. "We worry about a single french fry and a 10 to 1 hamburger patty as much as most companies worry about financial ratios," says Ed Rensi, chief operating officer and 23-year McDonald's veteran. All 500,000 employees, from the store level to the home office, are grilled on Kroc's success formula.

But while executives tend to fall back on PR platitudes, there is nothing commonplace or trite about the business underpinnings of the corporation. Early in its history, McDonald's laid the foundation for later success by taking a revolutionary approach to four basic areas of the business: franchising, menu development, supplier relations and financial planning. These mechanisms allow McDonald's to maintain consistency of quality—the heart of all successful chains. "As Ray Kroc said," echoes Rensi, "we take the hamburger business more seriously than anybody else."

McDonald's owner-operators, who run 78% of the restaurants in the system, take hamburgers as seriously as McDonald's executives do. The chain's 2,700 licensees, 54% of which are minorities or women, contributed $10.2 billion to sales last year. The average number of restaurants per licensee is 3.1. Most McDonald's licensees are well off; more than a few are millionaires.

McDONALD'S MILESTONES

1961: Kroc buys the McDonald's name from the McDonald brothers.

1965: Company goes public in over-the-counter offering at $22.50 per share.

1966: McDonald's listed on New York Stock Exchange.

1967: First McDonald's outside U.S. opens in Canada.

1968: Big Mac rolled systemwide. Fred Turner named president.

1972: 10 billionth burger sold.

1973: Systemwide sales hit $1 billion.

1975: McDonald's opens in London and Hong Kong.

1977: Fred Turner named chairman and CEO.

1983: 50 billionth burger sold.

1987: Mike Quinlan named CEO.

1988: 10,000th unit opens. 70 billionth burger sold.

400: EXCLUSIVE

continued from page 33

McDonald's keeps franchisees motivated by doling out new units to those who best follow Q.S.C. & V.

Because of this, a McDonald's franchise is the most coveted in the restaurant business. More than 2,000 people apply for a franchise each year; there are now about 350 hopefuls in the two-year training program. These people, 48% of whom are minorities, will train without pay for at least two years, invest $575,000 in the restaurant, and pay 12% of gross sales to McDonald's. Most franchisees follow the corporation's example and reinvest about 30% of profits in the business.

Ironically, back in the '50s, a McDonald's franchise was one of the least expensive in the industry. But there was a catch. While building McDonald's, Kroc and Fred Turner—then Kroc's right-hand man and now chairman—struggled mightily to avoid the inconsistency they saw in other chains. The first bunch of McDonald's franchisees in California were a maverick lot, selling unauthorized menu items, neglecting cleanliness and charging more than the dictated 15 cents for burgers. Kroc, ever the salesman, understood word-of-mouth advertising and how weak links could damage an aspiring national chain.

He decided to motivate franchisees with money. Instead of making money up front by selling territorial agreements, as did Dairy Queen and Tastee Freez, Kroc sold franchises one at a time to individual business people. He charged a small franchisee fee, $950, took only 1.9% of gross sales and helped franchisees run the business. What's more, he did not sell franchisees supplies, another money-making method many franchisors employed.

In exchange for this relatively inexpensive entry into the business, McDonald's franchisees had to run the stores Kroc's way: selling food made according to his strict specifications and serving it quickly, keeping the stores immaculate, and following his price structure. Kroc kept them doubly motivated with the promise of an additional restaurant, doled out one at a time to franchisees who followed his procedures to the letter.

Today, stock options, bonus plans, the promise of another unit and lots of attention from home office keep McDonald's franchisees a motivated group of business people. Field consultants conduct three-day reviews at least once a year. (A manager of a licensed store tells why she got a "B" on food quality: The ketchup was smeared unevenly on the burger buns, and there was too much ice in a soft-drink cup.)

McDONALD'S THROUGHOUT THE "400"

Steady unit and sales growth has resulted in 96 consecutive quarters of record earnings.

Year	Rank	Sales (millions)	Units
1964	10	$129.6	688
1965	12	170.9	760
1966	11	218.5	862
1967	10	266.4	967
1968	8	335.0	1,125
1969	7	450.8	1,345
1970	4	587.0	1,592
1971	5	784.1	1,944
1972	1	1,169.8	2,272
1973	1	1,568.0	2,784
1974	1	2,058.0	3,037
1975	1	2,616.5	3,756
1976	1	3,063.0	4,225
1977	1	3,738.0	4,736
1978	1	4,575.0	5,185
1979	1	5,384.0	5,747
1980	1	6,226.0	6,262
1981	1	7,129.0	6,739
1982	1	7,809.0	7,259
1983	1	8,686.5	7,778
1984	1	10,006.6	8,304
1985	1	11,000.9	8,901
1986	1	12,400.0	9,410
1987	1	14,330.4	9,911
1988	1	16,064.0	10,513

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"We help franchisees correct problems, but if that doesn't work, we have to consider alternatives."
—Burton Cohen, senior vice president, franchising

Potential menu items must fit price, operations and profit structure, and appeal to a mass audience.

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Top executives, such as Rensi, spend 70% of their time at the store level, and often drop in for unannounced inspections.

The group also enjoys a good relationship with McDonald's Corp., and therefore keeps up with royalty payments and approves what McDonald's $1 billion advertising budget delivers. In fact, franchisees haven't squabbled with the home office since the early '70s, when a group of them accused executives of not listening to their needs. "There were some things that we needed to have our butts kicked over," recalls Rensi, declining to be specific. "But I think it resulted in a far better relationship today."

Mistakes still crop up with individual franchisees, despite strict controls. About 10% of applicants drop out of training; the percentage that drops out after the store opens is a "statistical zero," says Burton Cohen, senior vice president of franchising. "From time to time, we'll have a franchise we're not happy with," he says. "We do everything to help the franchisee correct the problems, but if that doesn't work, then we have to consider other alternatives."

While McDonald's insists that franchisees stick to Q.S.C. & V., the chain does not stifle creativity. Entrepreneurial franchisees take credit for the Big Mac, Egg McMuffin and from-scratch breakfast biscuits. A franchisee from Texas placed two stacked ashtrays next to two stacked ashtrays, and showed executives how they could separate the hot and cool components of McD.L.T.

More than any other area of operation, McDonald's feels most protective of its menu. First, the menu is the chain's most important way of delivering consistency to the consumer. Second, the chain's sheer size makes new menu items a risky proposition. "When we roll out a new item, it's like starting a new concept," explains Michael Goldblatt, director of product development.

Potential new menu items must fit the chain's price, operations and profit structure, and appeal to a mass audience. "McDonald's wants food fashion, not fads," says Rensi. Salads, for instance, rolled out in 1987, account for about 7% of sales, or more than $1 billion in 1988. But executives did not leave that figure to chance: Salads were in test for 10 years.

Executives fight an ongoing battle to

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"When we roll out a new menu item, it's like starting a new concept."
—Michael Goldblatt, director of product development

HOW McDONALD'S MANAGES ITS MONEY

McDonald's finances are handled by a five-member "treasury" that reports to Chief Financial Officer Jack Greenberg. The treasury team keeps track of financial markets, looks into new financial instruments and decides in which currencies to negotiate debt.

The corporation prefers to carry a heavy debt load, rather than to raise capital through new stock issues. "We find the debt markets are far cheaper than the equity markets because of tax deductibility on interest," explains Sharon Vuinovich, manager of investor relations at McDonald's.

Since most of McDonald's debt is long-term, the corporation can reinvest cash from operations. McDonald's generated cash flow of $1.2 billion in 1988, of which $350 million was reinvested in company-owned restaurants. McDonald's encourages licensees and even shareholders to follow this lead: Shareholders can assign quarterly dividends to a reinvestment program.

The treasury also is responsible for presenting McDonald's to the financial community. Vuinovich credits the company's inclusion in the Dow Jones 30 Industrials with attracting foreign investors: "Since they can't follow every U.S. stock, international investors use the Dow 30 as a starting point."

400: EXCLUSIVE

McDonald's has had its share of menu flops: Hot dogs, McRib and the Hula Burger are among them.

HOW McDONALD'S RANKS WITH THE DOW 30 INDUSTRIALS

Company name	1988 sales ($ millions)	1988 earnings
Gen. Motors	$121,085.4	$7.17
Exxon	79,557.0*	3.95
IBM	59,681.0	9.80
Sears	50,251.0	3.84
Gen. Electric	49,414.0	3.75
AT&T	35,210.0	(1.55)**
Texaco	33,544.0*	5.35
DuPont	32,514.0*	9.11
Philip Morris	25,860.0*	10.03
Chevron	25,196.0*	5.17
Am. Express	22,934.0	2.43
P&G	19,336.0	5.96
United Technologies	18,087.8	5.05
Eastman Kodak	17,034.0	4.31
Boeing	16,962.0	4.02
USX	15,792.0*	2.62
Westinghouse	12,499.5	5.66
Allied-Signal	11,909.0	3.10
Goodyear	10,810.4	6.11
3M	10,581.0	5.09
Aluminum Co. of America	9,795.3	9.74
Intl. Paper	9,533.0	6.57
Coca-Cola	8,337.8	2.85
Union Carbide	8,324.0	4.88
Woolworth	8,088.0	4.47
Merck	5,939.5	3.05
McDonald's	**5,566.3**	**3.43**
Bethlehem Steel	5,488.8	5.32
Navistar Intl.	4,080.2	0.84
Primerica***	1,003.7***	3.61

Source: *Fortune* "500," April 24, 1989 and *Fortune* "Service 500," June 5, 1989.

* *Fortune*'s listing factors out excise taxes. Sales are marked if they were at least 5% lower than company-published figures because of this exclusion.

** AT&T's earnings include a one-time pretax $6.7 billion writeoff due to equipment depreciation.

*** Revenues listed are those of Commercial Credit Group, which changed its name to Primerica after buying that company last December.

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keep the menu lean, consistent and current. Early on, Kroc fought with his California franchisees, whose tacos and pizza pushed prices up and quality down. Turner pulled deep-fried roast beef sandwiches from the menu in 1968 when he learned that the sandwich, although a strong seller, wasn't profitable.

The home office, of course, is not infallible. Kroc and Turner devised a burger-shaped hot dog, which Turner now calls a "floparoo." Kroc's Hula Burger, grilled pineapple and cheese on a hamburger bun, also failed. McRib, rolled out in the early 1980s, was yanked after consumers complained the barbecue sauce was too sweet. (The sandwich is now a best-seller at McDonald's restaurants in Germany.)

Flops, however, do not keep McDonald's from experimenting. Pizza, now in test as a conventional-looking pie, started as the first in what was to be a line of pocket sandwiches. (Executives deem pocket sandwiches too trendy for McDonald's menu.) Carrot and celery sticks, still in McDonald's test kitchens, at first presented a quality problem. "We wanted the carrots to be as sweet as possible, and the celery had to be crisp and not stringy," says Goldblatt.

The food that finally makes it to the menu is by no means sacred. Because of consumer concerns, the chain reduced sodium in the breakfast hotcakes by 30%, and removed monosodium glutamate from Chicken McNuggets. Goldblatt says that McDonald's will meet consumer demands for nutritious foods not by adding new products, but by altering existing menu items. "We are never satisfied," he says, delivering another company line.

But the comment explained why he was conducting a french-fry test the day *R&I* interviewed him. Goldblatt, in fact, is intensely interested in fries, McDonald's only fried menu item still prepared in animal-vegetable shortening. The fry recipe, Goldblatt says, will change only when someone figures out how to change the shortening without changing the taste.

That someone might well be one of the chain's potato or shortening suppliers. McDonald's accords suppliers as well as franchisees freedom within limits to devise better ways to run restaurants. One of the chain's fryer companies has invented a new fryer basket that McDonald's says will

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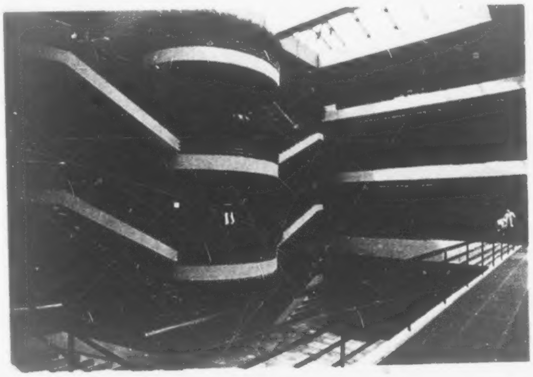

McDonald's new home office in Oak Brook, Ill., houses four test kitchens, a McDonald's restaurant and an extensive collection of modern art.

400: EXCLUSIVE

Analysts consider McDonald's a consumer stock or a growth stock, not a restaurant stock.

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significantly decrease the amount of fat absorbed by fried foods. Lettuce growers harvest the greens early for McDonald's. Growers developed square salad tomatoes to McDonald's specs; celery and carrot producers have bred the sweet carrots and stringless celery that Goldblatt requested.

One of the most surprising facts about life with McDonald's is that suppliers work without a written contract, and have done so since the birth of the company. Giving McDonald's freedom to dismiss an errant supplier at will—not when the contract was up—was the only way Kroc felt he could force suppliers to meet McDonald's quality specifications.

Kroc's legendary handshake deals built a stable of steady suppliers, among them the biggest retail names in spices, chicken and cheese. Suppliers maintain separate facilities for McDonald's, and send their employees who work directly on McDonald's accounts to short courses at Hamburger University located near the Oak Brook home office. "We develop relationships with people, not with corporations," says a McDonald's spokesman. Indeed, McDonald's considers suppliers—as well as franchisees, home-office employees and stockholders—part of the McDonald's "family." The ties are strong: The family owns about 10% of McDonald's stock, and the percentage increases by about one point every year.

McDonald's stock is on every analyst's recommended list. Securities firms treat it as a consumer stock, a large-capitalization stock or a growth stock, not a restaurant stock. "McDonald's doesn't compare to Wendy's or Sbarro because of the structures of the company," explains Sharon Vuinovich, director of investor relations at McDonald's. The structures Vuinovich is referring to are McDonald's real estate assets and high debt to equity ratio.

McDonald's commitment to real estate started with Harry Sonneborn, Kroc's first financial officer. Under Sonneborn's direction, McDonald's leased land, sublet to franchisees at a markup, then used the extra money to buy the real estate. The two took the company public in 1965 to obtain even more expansion capital, a move crucial to the company's current success. "Without access to capital markets, we could not expand," Vuinovich says.

The real estate plan and public offering built a financial chain of advantages for modern McDonald's. The corporation owns 60% of its real estate sites, which along with equipment are worth $6.8 billion of the company's $8.1 billion in net assets. The chain uses real estate as collateral to borrow: The debt to equity ratio is 49%, and the corporation's total debt obligation is $3.2 billion. Because most of the debt is financed long-term, the company can reinvest cash provided by operations in the business.

And reinvestment, along with attention to Q.S.C. & V., menu additions, and maintaining good supplier and franchisee relationships, have made McDonald's what it is. In the pages that follow, Ed Rensi, in an interview with *R&I*, relates how the company builds on the foundations Kroc established. "Ray Kroc and Fred Turner set the operating standards," he says. "Mike Quinlan polished them and has the sense to let us execute them."

HAMBURGER UNIVERSITY

Hamburger University (above) also located in Oak Brook, boasts 30,000 graduates. A sculpture (l.) outside the main building glorifies McDonald's target market: the family.

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400: EXCLUSIVE

McDonald's COO Ed Rensi spends most of his time in the company's restaurants, not in the office.

"The 70% that I spend out in the field, I perceive to be the most important part of my McDonald's life because that is where it happens. If the staff doesn't understand what those managers and employees go through at the front counter, this business won't be successful."

R&I: Who are the people that you work very closely with?

Rensi: We don't have a firm chain of command, if you will. We very much like messing around in each other's sandboxes.

We talk about the corporate culture as one with everyone having a responsibility to do everything. Egos are not very big around here. You know, some of the finest restaurant-operating people in the world work for our company, and I'd guess that the industry probably doesn't know five of their names. Ray Kroc used to say that none of us is as good as all of us, and that's so true.

R&I: How do you work out day-to-day priorities?

Rensi: We have a strategic bias, but not a long-range strategic plan. We're always thinking about the future, but market conditions really drive what we do. So if we see the market shifting—you know we never used to worry about solid-waste disposal—we're going to come up with the right answers. So we let market conditions, the environment and our customers lead us strategically.

R&I: What's on your mind these days?

Rensi: We've got some 20,000 bathrooms that need to be cleaned every day. I worry that the french fries are hot and crisp. I worry that the store managers are getting adequate training. I worry that we're using clean towels to clean off our tables and chairs. I worry that the milkshakes are cold. I worry that Ronald McDonald is making a kid happy at the moment. That's what I worry about. I can't solve nuclear war. I can't deal with the deficit. But I can run a hell of a restaurant.

R&I: Can you react fast enough to the changing market?

Rensi: Sure. This is the most flexible company on the face of the earth. We do what feels good, and if something feels different tomorrow, we'll do that. We are a very flexible company.

R&I: That's not the perception of McDonald's, as you probably know.

Rensi: No. I don't know where that perception comes from. In fact, I don't waste much time thinking about it.

R&I: Maybe it's just sheer size.

Rensi: Well, one can conclude that the size of the organization would lead to some rigidity. The fact of the matter is we're a company of 2,900 presidents, a company of 10,000 restaurants owned 78% by franchisees. We don't have any contracts with any of our suppliers, so they do it because they know they're going to make a decent buck if they give us decent-quality product. We don't have the need for structure because it's everybody's responsibility to run the company.

R&I: Who made the decision to roll out salads or McChicken?

Rensi: No one person. Product development was working on salads. We said, "Give us your best recipe and how you want to do it." We tested salads for 10 years. We did salad bars; we did salad pods; we did salad every kind of way you could think of. The product development department came up with the packaged salad idea, tested it, said here's our five or six best recipes. We put them in 50 stores and worked out the operations, and then put them in another 100. Nobody really made the decision, it just kind of happened.

R&I: How do you feel about the nutrition campaign?

Rensi: I think one of the great tragedies in America today is the gross amount of misinformation that there is about nutrition. And nobody wants to take time to talk about the real issue. The real issue is balance and quantity. Americans eat the right kinds of food; they just eat too much of it and not in proper balance. And there needs to be more work done educationally on teaching people how to eat right, how to put certain foods into their menu. So I think those ads were a very good step in trying to educate the population, not only about our food, but about diet in general.

Unfortunately, some people who were zealots decided to say that McDonald's was trying to pull a fast one. And that's not the case at all, but it puts a company like McDonald's in a position of perhaps being reluctant to step out on some of these issues.

400: EXCLUSIVE

Airports and hospitals will not replace traditional locations as McDonald's expansion targets.

R&I: Where are you looking to grow? It's a lot tougher than it used to be to grow a company in the United States.

Rensi: Tougher is a relative term. Tougher than what? Tougher than what it was yesterday, or tougher than what it's going to be tomorrow?

Property will never be cheaper than it is today; there will never be more sites available than there are today. Now's the time to buy real estate. We want penetration, very careful site selection and artful negotiations. We have a very good track record on how to build McDonald's restaurants and how to get that penetration and how to fill in the gaps.

The areas where we are going to build the most restaurants are in the areas where we traditionally build new restaurants. The booming suburbs, the critical-mass downtown locations, and every once in a while, we'll put a specialty site in an airport or a hospital or something like that, a Navy deal, an Air Force deal. But that's not the bread and butter.

R&I: How does McDonald's feel about being listed as one of the Dow Jones 30 Industrial stocks?

Rensi: I'm sure if Ray Kroc had been alive he would have loved the hell out of that, because he knew how special McDonald's was, and it means that the financial world, the analysts, will take us seriously as a business.

R&I: Does it pose problems? You're always under scrutiny by Wall Street.

Rensi: We have a responsibility to give our shareholders a yield and a growth because they've invested a hell of a lot of money in our company, so you are doggone right the shareholders are important. Because we take good care of the shareholder and because we've got good performance, we can borrow money pretty easily. We can get real estate because people have confidence in our leases and our paper.

R&I: In "Behind the Arches," Fred Turner talks about taking the company private and redistributing it among employees. Can you comment on that?

Rensi: If your objective is to take the company private, that's one thing. But Turner is saying his objective is to keep the company's entrepreneurial spirit, and to do that, you have to put ownership in the hands of the people running the company.

That's why we have stock options for our store managers. We want them to feel a sense of ownership. They're running the company that belongs to them. That's just good business.

R&I: Can you tell us about a day in the life of Edward Rensi?

> "I just love it when there's a delivery truck on the lot, because that gives me a chance to get inside that truck. Is the truck clean? What does the driver's uniform look like?"

Rensi: I spend about 60% to 70% of my time on the restaurant-operating side of the company. I've got a business card that says I'm the chief shake maker, burger griller, french fryer and cheerleader. And I really believe that because we're a retail establishment that's got 10,000 locations, and the thing that makes it work is getting the team in tune with objectives and direction and then having them apply their own sense of enthusiasm and excitement for solutions to the problems they encounter.

The 70% that I spend in the field, I perceive to be the most important part of my McDonald's life, because that's where it happens. It's one customer at a time at the front counter with one crew person at a time, and if we don't understand what it is those managers and employees are going through at the front counter, this business won't be successful.

When I visit a market, I try to be in that market for a minimum of three days. I try to shake hands with every crew kid, certainly meet and talk to every store manager in the restaurant, and I ask them to take me on a tour of their facility.

R&I: Do they know you're coming?

Rensi: Sometimes yes; sometimes no. I want our people to be able to put their best foot forward because that tells me what I can expect of them.

R&I: We've heard stories about you checking beverage lines and equipment at restaurants. Do you do that kind of thing?

Rensi: Constantly. But let me take you through my visits. I visit the stores and say hello to people. I like to challenge the people in the restaurant as to their job knowledge. You know, "What's the temperature of the grill? What's the temperature of the french-fry vat? How many milkshake cleaning brushes are in the cleaning cabinet? How many are supposed to be there?

Then I like to visit with customers. I like to go out in the lobby and say, "Hi, my name is Ed Rensi." I usually carry a large box of french fries with me and say, "I just made these french fries; I'd like you to try them and tell me what you think of them."

Then I get into, "How's the restaurant been running? How do you feel about the place? Are you getting a good value?" I always try to ask, "What's the last McDonald's you went to and how was it?" That might tip me off as to where I'm going for the next visit.

I do the same thing with the store managers and the crew people. "How's your training been? What kind of problems have you had? What can I do for you? What's your expectation of the company? Are we living up to our expectations? Are you being paid enough? How do you feel about your benefits package?"

The next morning, bright and early, I eat breakfast at McDonald's, randomly chosen. We visit stores all day again. Generally, the first day, I'll visit company stores; the second day, I'll visit licensed stores and meet all the operators in the restaurants. Not only

"The System" is actually three systems: management, the corporation and the burger-making process.

am I dealing with operating and sales and marketing issues, now I'm dealing with the franchisor-franchisee relationship. I ask everybody about operations. It's been suggested from time to time that's all I talk about, and I don't know if it's true or not, but that's okay with me, because that's all we ought to be talking about.

And I just love it when there's a delivery truck on the lot, because that gives me a chance to get inside that truck and check freezer temperature and check the refrigeration side and see if they've got the baffles up so the product doesn't smash all around.

If there's a major supplier in the area, like one of our meat suppliers, I might drive over to look at the plant.

R&I: How do you feed what you gathered back into the system?

Rensi: When I get done with that visit, the regional manager knows what's on my mind. All the department heads know what's on my mind. And during that course of the visit, when I find things that are exciting or not the way they're supposed to be, I call the person in charge immediately.

R&I: You say you're always challenging the system. Define the system.

Rensi: We actually have three systems. We have a hamburger system, and that's how you cook, prepare and serve food. We have a system of management that is made up of the licensees, suppliers, and the corporation working hand-in-hand. And then we have another system, which is the corporation, and how it interfaces with those other systems is important. The priority system is the hamburger system, and we try to put into place systems and procedures that ensure performance on the part of the employees in the absence of management. Anybody can put in a system that works when the manager is there; the secret is to put into place a system that works when the manager is not there.

R&I: You must come back from your field trips with a lot of really good ideas from operators—what do they contribute to the system?

Rensi: That's one of the great successes of McDonald's. We share across the country what's new, different and exciting, and if somebody's got a great idea, we love to pat him on the back. It's like the McD.L.T. sandwich. We knew we could sell a McD.L.T. We knew that for years. What we couldn't figure out was how to sell it without the tomatoes and lettuce getting wilted. Could not figure it out! And finally, an operator came up with an idea. All of a sudden, we've got a lettuce and tomato sandwich, and it's a damn fine quality product and you ought to have one to prove that to yourselves

> "We try to put into place procedures that ensure performance in the absence of management. Anybody can put in a system that works when the manager is there."

R&I: What's the reward for coming up with new ideas?

Rensi: Operators do things for their employees relative to bonuses. We have a bonus program in the company. We have an officers' discretionary bonus where, if someone does something really unique and different, we hand him a check right on the spot for a thousand dollars or some amount.

R&I: Do you think you're communicating to women and minorities that there is room to get into top management at McDonald's?

Rensi: What we're communicating is not nearly as important as what our practice is. Forty-seven percent of our managers in company-operated restaurants right now are women. We've got three operating field vice presidents that are female, and probably have another 15 to 20 women and minorities that are on the verge of becoming regional vice presidents.

If you talk to all of our suppliers, you're going to find a company that's owned by blacks that makes croutons, you're going to find a dairy company that makes dairy creamers for us that's Hispanic, and so on and so forth. It never used to be that.

Our system is one that builds from the bottom up. In 1966, we had no women in our restaurants—none—Ray Kroc did not want women in our restaurants. There was no such thing as an affirmative action program at McDonald's in 1966. We've got a very aggressive affirmative action program now. So we'll let our practice and our policies speak for itself.

R&I: It seems McDonald's executives knows how to handle mistakes better than most companies. You give the image of never making a mistake.

Rensi: We don't plan on making mistakes. They're as much as a surprise to us as they are to you, so we don't worry about them. We move on.

R&I: Any final thoughts about where McDonald's might be going?

Rensi: We want to keep developing, growing, maximizing sales potential of the thing called McDonald's. We'll do what we have to do along the way to achieve that result. If you build 10,000, you ought to be able to build 20,000. So why not run for it? There are no big successes without big dreams.

R&I: That balances all you've said about the ability to be hands-on managers.

Rensi: You know what makes that work for us? We worry as much about a strand of french fries and a 10-to-1 hamburger meat patty as most companies worry about their financial ratios. Ray Kroc said we take the hamburger business more seriously than anybody else. We're serious about that. That sounds so Pollyanna and so Goody-Two-Shoes, but it's real; it is real!

This concludes Part 1 of a two-part story. In the August 21 issue, *R&I* will explore the inner mechanisms of McDonald's.

400: OVERVIEW

LEADERS OPT FOR CONSERVATIVE GROWTH

Bottom-line pressures force organizations to streamline operations and maneuver skillfully to gain market share.

400

For this year's Silver Anniversary "400," there is no major development to proclaim. But a careful look shows the beginning of a new momentum among the leaders of the foodservice industry. Caught during this decade between overexpansion, both in menus and number of units, and rising operating costs, most have turned to a strategy of modest growth.

The economic environment conditioning the "400" continues to be positive. The Reagan and Bush administrations have survived, at least on a short-term basis, the perils of budget and trade deficits, and Wall Street has rebounded handsomely from its crash of late 1987, breaking through 2500 on the Dow in late spring. Interest rates have remained generally steady, and consumer confidence surveys show that most Americans see 1989 as a good year.

Under a new ranking system that excludes, franchisees and purchasing groups, total sales for the "400" increased to $117.7 billion from $113 billion last year (the estimate of $123.6 billion shows what those sales would have been if those groups were included). As stated above, operational costs have cut into net profits. Specifically, because of a tight labor market, many companies already are paying well above the minimum wage. Fixed costs such as liability insurance and certain benefit packages also are pressuring the bottom line.

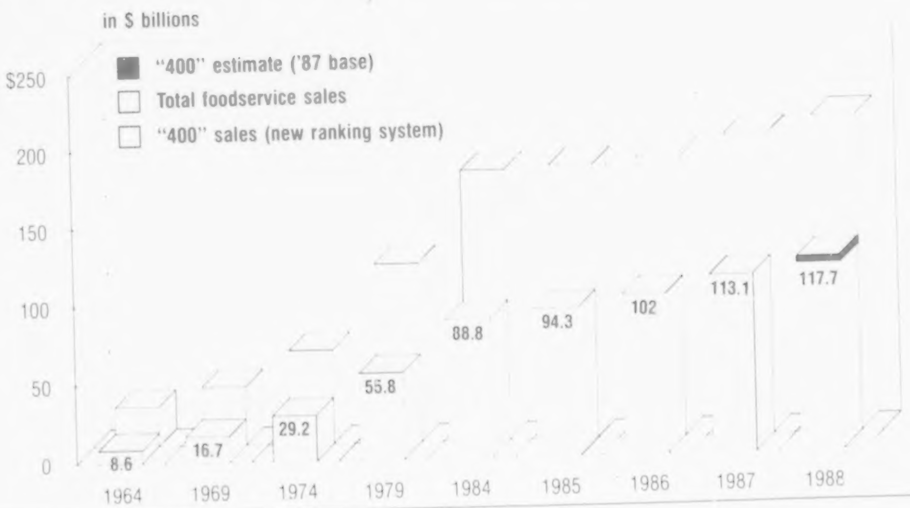
Stock analysts, who too often do not differentiate among the huge range of restaurant stocks, talked about "mixed performance" and "lackluster conditions" among the public restaurant companies. They have tended in the past to favor leaders (top 100 companies), McDonald's in particular, and in this they do reflect *R&I*'s "400" numbers. The top 10 companies combined for total sales of about $46.4 billion, or 42% of the total sales. While raising its annual unit-growth goal to 600, McDonald's added $1.8 billion in sales. Burger King, Pizza Hut, Hardee's and Domino's all registered sales gains of $300 million or more, and Kentucky Fried Chicken jumped a very strong $900 million.

The pie chart at lower right illustrates who among the "400" companies has the power. Notably, the top 25 companies control 55% of the total, while the last 200 companies account for only 8%. The second chart breaks out the "400" by segments and demonstrates the clout of the fast feeders, who control 47% of the business, versus full-service, the runner-up at 20%. If one were to consider that much of the contract management business is institutional, then the latter's share of "400" sales amounts to about 20%.

As pointed out in our 1989 Annual Report, ownership changes of various types—mergers, acquisitions and divestitures—have been the most beneficial moves by major players. In fact, "streamiining" might be the best word for the the prevailing philosophy. As examples: Grand Met has

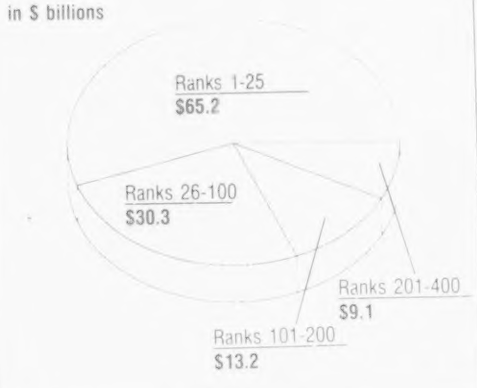
SALES OF THE "400" COMPANIES

Despite changes in the ranking system, the "400" continues to take in more and more total foodservice sales: 57.9% of all sales of food away from home in 1988. If the ranking included franchisees and purchasing groups, as it has in past years, total "400" sales would be even larger: $123.6 billion, or 60.8% of foodservice sales.



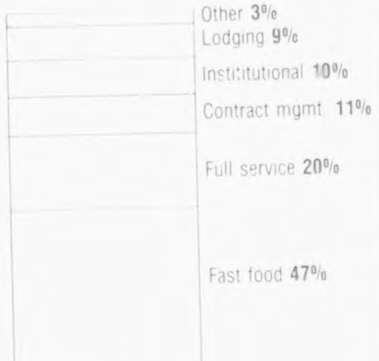
WHO HAS THE POWER?

As usual, the top of the "400" sells the most. The first 25 companies account for 55% of the total, or more than $65 billion; the last 200 do $9 billion.



"400" SEGMENT SHARE

Fast-food chains make up almost half of this year's total "400" sales. Institutional organizations include schools, health care and the military.



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400: OVERVIEW

"400"—THE OLD WAY

Under *R&I*'s "old" system, which included parent companies and franchisees, the top end of this year's "400" would read as follows. Sales in $ billions, * denotes *R&I* estimate, ** denotes company estimate, † indicates a commercial equivalent:

1. McDonald's Corp.
Sales: $16,100 Units: 10,513

2. PepsiCo Foodservice Div.
Sales: $10,020 Units: 17,353

3. Pillsbury Restaurant Group
Sales: $6,152** Units: 6,489

4. Marriott Corp.
Sales: $5,353.5* Units: 3,745*

5. TW Services
Sales: $3,390.8 Units: 3,985

6. U.S.D.A. Food & Nutrition Service
Sales: $3,035.8† Units: 89,791

7. Wendy's International Inc.
Sales: $2,992 Units: 3,762

8. Imasco USA
Sales: $2,733.3* Units: 3,100

9. ARA Services
Sales: $2,350 Units: 2,500

10. Domino's Pizza
Sales: $2,300 Units: 4,943

11. International Dairy Queen
Sales: $2,239.5 Units: 6,107

12. The Sheraton Corp.
Sales: $1,600 Units: 1,750

13. U.S. Army Troop Support Agency
Sales: $1,332.8† Units: 995

14. Shoney's Inc.
Sales: $1,916.7 Units: 2,391

15. General Mills Restaurants
Sales: $1,600 Units: 573

16. Collins Foods International
Sales: $1,057.4* Units: 913

Subway topped Growth Leaders list; American Restaurant Group bucked trend by diversifying.

moved swiftly to unload S&A Restaurant Corp. and several retail grocery brands in order to concentrate on its biggest brand name, Burger King.

General Mills folded two groups, selling off Leeann Chin's and York's, and investing the capital in Red Lobster and its successful Olive Garden concept. Food companies such as Hershey, Campbell and Sara Lee dropped out of the foodservice business.

But not everyone was selling. Anwar Soliman's American Restaurant Group is going against the grain by assembling a five-division company that manages concepts ranging from fine to casual dining. (Soliman also runs another company, AWR II, parent to Del Taco and Naugles Mexican fast-food chains.) LBOs, such as those by Herman Cain, who snared Godfather's, and Foodmaker, also were popular options. Acquisitions of note were Heidi's by Steve's Ice Cream and Fuddruckers by Daka Intl.

Leaders among growth companies were Subway, which jumped 20%, and Everything Yogurt Inc., which doubled its sales in a single year. Overall, this year's top 20 Growth Leaders by percent of sales gain averaged a 53.6% increase in sales growth.

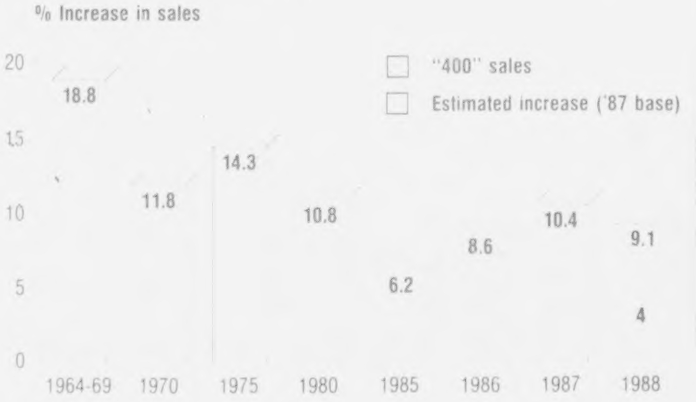
Another developing trend was the acquisition of foodservice and lodging companies by foreign interests. In particular, the Japanese have been investing heavily in hotels; two noteworthy acquisitions were Westin by Aoki Corp. and Inter-Continental Hotels Corp. by Seibu Saison.

Overall, the "Silver 400" performed well in 1988, using tight resources skillfully to respond to consumer demands. Many did the right thing for 1988 and made moves that will strengthen them in the future. Far-sighted companies such as McDonald's, which *R&I* has chosen as company of the quarter century, have laid the groundwork for continued healthy growth through the next 25 years.

—Michael Bartlett

"400" GROWTH

By excluding franchisees and purchasing groups, the new "400"'s sales growth dips far below 1987's. But an estimate based on last year's membership shows growth of 9.1%—down, but higher than 1986.



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RULES OF THE RANKING

For a new quarter-century, a new *R&I* "400": able to chart the growth of foodservice as never before.

This year, *R&I* editors have given the "400" the most extensive overhaul in its 25-year lifetime. Some of the features that made sense in the ranking's early years had become outmoded or simply unnecessary. And changes in the industry over the last quarter-century suggested ways to amend the "400" to make it more useful to readers.

First, the rankings now break out individual concepts instead of putting them under the umbrella of a parent company. This will allow the survey to track the growth of "name brands" such as Pizza Hut rather than simply reporting on PepsiCo. The new system also can separate a corporate giant such as Marriott into its component parts, spotlighting its lodging division, for example, apart from the company's family-dining, contracting and fast-food divisions.

Parent companies of these "brands" are named in the chart copy (abbreviated PC); their total sales and units are given in the "Family Tree" that follows the "400."

This year, the editors have removed franchisees from the ranks of the "400." *R&I* has always included their sales and units in the systemwide totals of their franchisors. But in the last 25 years, franchisees' sales and influence have grown, and their listings have displaced more than a few chains that are otherwise eligible for the "400." By giving franchisees a list of their own, *R&I* makes the new "400" a more accurate reflection of the range and vitality of today's foodservice industry.

The same logic dictated removing purchasing groups from the '89 "400": Most serve as buying agents for clients who then retail those purchases to consumers. Purchasing organizations also are ranked separately.

In compiling the '89 "400," editors requested foodservice sales figures either for calendar '88 or for a fiscal year ending after June '88 and before July '89. Sales figures and unit counts include both company-owned and franchised stores at home and abroad.

For institutions, which commonly sell food at a lower markup than commercial operators do, editors requested total food purchases for '88 or projected purchases for '89. That figure was then given a multiplier of 2.8 to arrive at a commercial equivalent. The 2.8 factor translates into a food cost of about 35.5%—midway between fast-food and full-service restaurants.

Where companies could not (or would not) break out sales and units for individual concepts, *R&I* editors estimated those figures from outside resources. All figures marked with one asterisk (*) are *R&I* estimates. Figures marked with two asterisks (**) are estimates provided by the companies themselves.

The notation (A) indicates that no comparison is possible with a company's previous data—last year's sales, units or rank. This usually denotes a concept that fell under its parent company's listing in '88. Next year's "400" will begin tracking the annual growth of these "newcomers."

A footnote ([B]) indicates that a company has used a new method of reporting, such as a switch from a calendar to a fiscal year. A footnote ([C]) shows that the company has estimated its franchisees' sales. A footnote ([R]) indicates a revision in a figure published in last year's "400" —usually because a company has replaced an estimate with actual figures.

All sales figures are listed in millions. The abbreviations MM and K in copy denote millions and thousands, respectively. AUV stands for average unit (sales) volume, figured annually; Fy stands for fiscal year.

Companies that were acquired during 1988 are still listed in the ranking if they operated independently for more than half the year. Where two or more companies supplied the same sales figures, actual numbers take precedence over company estimates, which in turn lead *R&I* estimates. Companies still tied after these criteria are listed in alphabetical order.

—The Editors

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('87 units)	% change units	Comments
1 (1)	**McDonald's Corp.** Oak Brook, Ill. Fast food (hamburgers)	16,100.0 (14,330.4)	12.3	10,513 (9,911)	6.1	Industry leader saw systemwide sales increase 12% and net income jump 18%. McDonald's opened the 10,000th store in the system, sold its 70 billionth burger and opened a restaurant in Yugoslavia. AUV is $1.6MM.
2 (A)	**Burger King Corp.** Miami, Fla. Fast food (hamburgers)	5,400.0 (5,000.0**)	8.0	5,793 (5,179)	11.9	Grand Met named Barry Gibbons CEO, snared former Hardee's executive Gary Langstaff for top marketing spot, revamped Distron and trimmed staff at headquarters. PC: Grand Metropolitan Plc., London. Fy end 5/89.
3 (A)	**Kentucky Fried Chicken** Louisville, Ky. Fast food (chicken)	5,000.0 (4,100.0)	22.0	7,761 (7,522)	3.2	Operating profits have almost doubled since acquisition by PepsiCo in '86. KFC added 239 restaurants in '88, 89 of them in Japan. Beijing unit's sales broke $3MM. New units to open at rate of 1 a day. PC: PepsiCo Foodservice Div.
4 (A)	**Pizza Hut** Wichita, Kan. Fast food (pizza)	3,390.0 (A)	—	6,662 (A)	—	Hand-Tossed gives No. 1 pizza chain three crust sizes. Co. becoming "total pizza distribution system" with restaurant delivery units, kiosks in 200 Marriott contract facilities. AUV $600K. PC: PepsiCo Foodservice Div.
5 (A)	**Marriott Food Service Mgmt.** Washington, D.C. Contract management	3,350.4†* (A)	—	2,300* (A)	—	Account retention rate was in high 90th percentile in '88. Co. reports it won 50% of accounts bid on, adding 315 new accounts to roster. Added 18 new marketing concepts to increase sales in existing accounts. PC: Marriott Corp.
6 (5)	**U.S. Dept. of Agriculture Food & Nutrition Service** Washington, D.C. Government institutions	3,035.8† (3,095.4†)	−1.9	89,791 (90,180)	−0.4	The govt. giant is treading water. School consolidation kept units down and sales dipped due to low commodity prices (caus[illegible] dairy product availability). On plus side, school lunches up 2.4%. Fy end 9/30/88.
7 (6)	**Wendy's International Inc.** Dublin, Ohio Fast food (hamburgers)	2,902.0 (2,870.0)	1.1	3,762 (3,816)	−1.4	Bob Barney steps aside; Jim Near moves up to CEO. AUV up from $741K to $759K with 11% profits. Company will open 7 and franchise 45 units this year. SuperBar accounts for 20% of sales; 40% of franchisees offer the bar.
8 (A)	**Hardee's Inc.** Rocky Mount, N.C. Fast food (hamburgers)	2,733.3* (2,418.9*)	13.0	3,100 (2,959)	4.8	Hardee's AUV up 5% over last year to $920K; Breakfast accounts for 30% of sales. 250 new units scheduled to open this year. Sales figure estimated to factor out equipment division sales. PC: Imasco USA.
9 (7)	**ARA Services Inc.** Philadelphia, Pa. Contract management	2,350.0 (2,144.0^{R})	9.6	2,500 (3,842)	−34.9	Co. coordinated foodservice for summer '88 Olympics. Put together a touring show (to 9 cities) to market its new and existing foodservice programs; 6,000 current and potential clients attended. Signed Univ. of Va. in '88.
10 (10)	**Domino's Pizza Inc.** Ann Arbor, Mich. Fast food (pizza)	2,300.0 (1,980.0)	16.2	4,943 (4,279)	15.5	Delivery specialist has franchised unit No. 5000, but competition has squeezed margins. Pan pizza, first systemwide rollout in 29 years, made up 22% of sales in first month. 614 units opened in '88; 600 planned for '89.

*R&I estimate **company est. †commercial equiv. (A) no comparison with '88 data possible (B) adjusted method in reporting figures (C) franchisee sales est. (R) revised

400: RANKING

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('87 units)	% change units	Comments
11 (A)	**Dairy Queen** Minneapolis, Minn. Fast food (sweets)	2,067.0 (1,900.0)	8.8	5,122 (5,005)	2.3	Co. added 228 new restaurants in '88, including Treat Center concept located in shopping malls. Attributes growth to opening new, higher-volume stores and expansion of existing smaller stores. PC: International Dairy Queen Inc.
12 (A)	**Taco Bell** Irvine, Calif. Fast food (Mexican)	1,630.0 (1,500.0)	8.7	2,930 (2,712)	8.0	Co. will continue to "mainstream" the image of Mexican-style fast food. Big story for '89 is enhancing image in the local community. Will upgrade buildings and streamline design of new units. PC: PepsiCo Foodservice Div.
13 (14)	**The Sheraton Corp.** Boston, Mass. Lodging	1,600.0 (1,391.2)	15.0	1,750 (1,555)	12.5	Ongoing "Cuisine & Spirits" marketing program continues to emphasize the use of seasonal ingredients. Worldwide hotel expansion plans include 18 properties in '89. Co. debuts all-suite Sheraton Suites later this year.
14 (32)	**U.S. Army Troop Support Agency** Fort Lee, Va. Military	1,332.8† (1,310.4†)	1.7	995 (1,074)	7.4	Reorganized and restructured foodservice center is now Quartermaster School in Fort Lee, Va. In '89 will implement MIS system and design program for Army dining facilities.
15 (13)	**Denny's Inc.** La Mirada, Calif. Full service (family dining)	1,300.0 (1,251.0)	3.9	1,299 (1,221)	6.4	To meet goal of real '89 growth, new parent co. puts focus on operations, remodeling (150 units in '89), streamlined menu. But successful '88 promos (Corlick Sisters, Flintstones) will continue. AUV is $1.1MM. PC: TW Services Inc.
16 (A)	**Red Lobster** Orlando, Fla. Full service (seafood)	1,300.0 (977.0)	33.1	512 (410)	24.9	Plans to open 20 units in '89. Servers encouraged to develop creative sales approach. Buying products from 33 nations to provide supply continuity and better prices. Fy end 5/'89. PC: General Mills Restaurants Inc.
17 (A)	**Canteen Corp.** Chicago, Ill. Contract management	1,288.8 (A)	—	1,883 (A)		Foodservice contractor's recreation division had record year at its Spaceport U.S.A. operation at Kennedy Space Center, Fla. Secured concessions at Palace in Auburn Hts., Mich., home of Detroit Pistons. PC: TW Services Inc.
18 (A)	**Marriott Lodging Division** Washington, D.C. Lodging	1,218.3 (A)	—	585 (A)	—	Co.'s hotels and resorts division added 6,000 full-service rooms in '88. Expansion plans target Hong Kong, Poland, Mexico, U.K. and U.S. Also owns Courtyard, Fairfield Inns and Residence Inns. PC: Marriott Corp.
19 (20)	**Arby's Inc.** Atlanta, Ga. Fast food (sandwiches)	1,160.0 (980.0)	18.4	2,049 (1,973)	3.9	Sandwich chain's 25th anniversary year promises to be a good one, with system sales up 18% and 10 consecutive quarters of double-digit profit growth. Credit-card acceptance and customer hotline encourage new traffic.
20 (21)	**Hilton Hotel Corp.** Beverly Hills, Calif. Lodging	1,054.0 (970.0)	8.7	1,185 (1,185)	—	In '89, will open first upscale Hilton Suites property and first limited-service CrestHil. CEO Barron Hilton willing to talk to potential buyers. Extensive renovations, international growth planned for '89.

[illegible]

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('87 units)	% change units	Comments
21 (19)	**Service America Corp.** Stamford, Conn. Contract management	1,001.0** (1,030.0**)	−2.8	2,000B (11,000**)	—	With 12/87 leveraged buyout complete, foodservice contractor (71% vending) launches new marketing programs systemwide, including "Direction in Dining" signage program and pita-pocket sandwich intro. Expanding training.
22 (46)	**Big Boy** Warren, Mich. Full service (family dining)	994.0** (A)	—	912 (A)	—	Big year for Big Boy. Family-owned Elias acquired franchise rights from Marriott in '87; Elby's rejoined Big Boy system in '88. Big plans for systemwide core menu in '89. PC: Elias Brothers Restaurants Inc.
23 (30)	**Little Caesars Pizza** Farmington Hills, Mich. Fast food (pizza)	908.0 (725.0)	25.2	2,180 (1,820)	19.8	National TV debut and Pan! Pan! pizza rollout helped carryout co. increase same-store sales. Caesar to buy Mother's, a 41-store Canadian chain, and gain full-service experience there as well as from its sit-down Pizza Parlors.
24 (24)	**U.S. Navy Food Service Systems Office** Washington, D.C. Military	896.0†** (810.0†)	10.6	684 (684)	—	Despite budget cuts, base closings and other financial constraints, Navy plans to offer enlisted personnel more healthful foods such as fresh fruit, vegetables, fish and chicken.
25 (A)	**Shoney's Restaurants** Nashville, Tenn. Full service (family dining)	864.1 (718.6)	20.2	636 (614)	3.6	'88 recapitalization shows signs of success: 1% real sales gain for Shoney's and 11 new company-owned units. In '89, co. spearheads aggressive franchise drive in South Fla. territory. Fy end 10/88. PC: Shoney's Inc.
26 (A)	**Sizzler Restaurants International** Los Angeles, Calif. Full service (steakhouses)	850.0 (748.6)	13.5	625 (587)	6.5	Solid growth, adding 51 new units. Completed phase 2 of "Northeastern Program": consolidating Rustler stores into system. Now concentrating on final phase, upgrading physical plants and improving customer counts.
27 (29)	**Hyatt Hotel Corp.** Chicago, Ill. Lodging	796.2* (726.4*)	9.6	320 (390**)	−17.9	Co. has 17 properties just opened or under construction. The Hyatt Regency Beaver Creek opens this summer in Vail, Colo. Advertising Age recognized the "Hyatt Touch" ad campaign as one of best of '88.
28 (28)	**Dunkin' Donuts Inc.** Randolph, Mass. Fast food (sweets)	777.8 (728.8)	6.7	1,767 (1,669)	5.9	Reorganized operations department to help run 171 new units. More than $15K AUV increase over '87 figures. Hostile takeover bid by Canada-based Unicorp possible but not probable. Plans to add 120 new units in '89.
29 (26)	**U.S. Army Community & Family Support Centers** Alexandria, Va. Military	772.0† (766.4†)	0.7	624 (626)	−0.3	To dovetail with its increased concern for personnel's families (and to be more efficient), Army is continuing to renovate its community and family support center facilities.
30 (A)	**Long John Silver's Seafood Shoppes** Lexington, Ky. Fast food (seafood)	765.3 (746.9)	2.5	1,478 (1,443)	2.4	Customer counts flat in '88 but lower cod prices and reduced promo expenses may boost '89 pre-tax income by $12MM. Plans to add 40 company-owned and 20-30 franchised units in '89. Fy end 6/89. PC: Jerrico Inc.

*R&I estimate **Company est. † [illegible] (A) [illegible] comparisons with '88 data possible (B) adjusted method in reporting figures (C) franchisee sales est. (R) revised

400: RANKING

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('87 units)	% change units	Comments
31 (A)	**Jack In The Box** San Diego, Calif. Fast food (hamburgers)	755.0 (655.1)	15.2	961 (897)	7.1	Parent co. bought Chi-Chi's in April, then, in a deal worth $889MM, went private in December via a buyout led by CEO Jack Goodall. 30 to 40 Jack In The Box units to open this year. PC: Foodmaker. Fy end 9/88.
32 (15)	**Holiday Inn Hotels** Memphis, Tenn. Lodging	751.3* (A)	—	1,700 (A)	—	Chain accounts for 39% of all midscale hotels in the U.S. Nearly 1,600 carry the Holiday Inn logo. Conversions to play important role in growth as 53 hotels switched allegiance to HI in '88. Occupancy rate climbed to 66.9%.
33 (27)	**Ponderosa Inc.** Dayton, Ohio Full service (steakhouses)	749.0* (730.4)	2.5	718 (693)	3.6	Rolled out Grand Buffet, 80-item food bar, in all stores; theme is "Make your entree grander." Will upgrade quality perception by introducing USDA Choice steaks. Pres. & CEO Frank Holdraker resigned in April. Fy end 2/89.
34 (23)	**7-Eleven** Dallas, Texas Retail (convenience stores)	701.0* (828.8*)	-15.4	7,200* (7,000*)	2.9	In its first full year of operation after the leveraged buyout, emphasis will be put on increased AUV, not unit expansion. Up to 350 units to be sold in '89, with 50 to open. 43 units opened in '88. PC: The Southland Corp.
35 (35)	**Baskin-Robbins Ice Cream Co.** Glendale, Calif. Fast food (sweets)	692.7* (624.7*)	10.9	3,386 (3,372)	0.4	Plans aggressive menu expansion to maintain lead in competitive ice cream market. Plans to add more than 50 new units, including Baskin-Robbins Express (smaller units with drive-thru) where appropriate.
36 (A)	**Roy Rogers** Washington, D.C. Fast food (sandwiches)	630.2* (A)	—	607 (A)	—	Roast beef chain reports sales up 7% in company-operated units. Remodeled 130 units in '88. Introduced Expressburgers and Wild Wings. Employee-retention program coming in '89. PC: Marriott Corp.
37 (71)	**Subway** Milford, Conn. Fast food (sandwiches)	600.0 (272.0**)	120.6	2,888 (1,815)	59.1	Business is booming as sub seller more than doubles sales (low franchise fee makes them attractive). Hired Cronin & Co. advertising, completed new logo and building design. Plans 1,000 new-unit openings in '89.
38 (37)	**Army & Air Force Exchange Service** Dallas, Texas Military	577.9† (544.6†)	6.1	2,102 (2,755)	−23.7	To keep dollars on bases, will continue to expand theme restaurants with signature names, menus and decor. Program seems successful; number of meals served increased 11% last year.
39 (39)	**Bonanza Restaurants** Dallas, Texas Full service (steakhouses)	571.0 (529.5)	7.8	612 (605)	1.2	Signed agreement for 35 units in York Steakhouse acquisition, with conversions to Bonanzas in '89. Expanded training programs. First U.K. restaurant to open 5/89. Plans 300-360 blding. design using new Food Fare concept.
40 (36)	**Friendly Ice Cream Corp.** Wilbraham, Mass. Full service (family dining)	564.0 (572.4)	−1.5	848 (840)	1.0	Friendly deal: TRC bought chain from Hershey Foods Corp. 8/88. Based on marketing savvy TRC Pres. Donald Smith showed at BK, McDonald's and PepsiCo, Friendly could flourish. PC: Tennessee Restaurant Co.

*R&I estimate **company est. †commercial equiv. (A) no comparison with '88 data possible (B) adjusted method in reporting figures (C) franchisee sales est. (R) revised

400: RANKING

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('87 units)	% change units	Comments
41 (38)	**Church's Chicken Inc.** San Antonio, Texas Fast food (chicken)	559.3 (533.9)	4.8	1,481 (1,422)	4.1	Continuing problems, including management transition and competition from non-chicken chains selling chicken (McDonald's and Burger King), contributed to declining profits and acceptance of buyout offer by A. Copeland Ent.
42 (A)	**Ramada Hotel Group** Phoenix, Ariz. Lodging	547.3* (A)	—	790* (A)	—	Co. sold for $540MM to New World Development Co. of Hong Kong 4/89. Prime Motor Inns of Fairfield, N.J., will operate the U.S. franchise system of more than 600 hotels, which will retain Ramada and Rodeway.
43 (A)	**Morrison Custom Management** Mobile, Ala. Contract management	531.0 (417.0)	27.3	880 (808)	8.9	To strengthen presence in educational and dining service markets, co. acquired Dobbs Foodservice Mgmt. and Manask Foodservice, adding over 60 accounts. Major breakfast program launched Spring '89.
44 (A)	**Popeyes Famous Fried Chicken** Jefferson, La. Fast food (chicken)	485.0 (463.7)	4.6	715 (703)	1.7	In effort to lessen competition, founder made successful offer to acquire Church's Fried Chicken. New Popeyes units totaled 40 in '88. Focused on monthly event promotion to drive store sales. PC: A. Copeland Ent. Inc.
45 (54)	**Carl's Jr.** Anaheim, Calif. Fast food (hamburgers)	480.0 (343.6)	39.7	477 (444)	7.4	Turnaround is complete: AUV topped $1MM and traffic counts rose 7.4% during year. Co. plans to open 80 units this year, concentrating on Calif. ATM card test expanded to San Francisco. Fy end 1/89. PC: Carl Karcher Ent.
46 (A)	**Bennigan's Restaurants** Dallas, Texas Full service (dinner houses)	458.1 (449.0)	2.0	222 (212)	4.7	In '89, completion of LBO will mean nominal expansion. In '88, refocused energies on execution of the basics: good food, service and value. Increased service staffing levels; remodeled 40 units. PC: Pillsbury Restaurant Group.
47 (45)	**Golden Corral Corp.** Raleigh, N.C. Full service (steakhouses)	456.0 (445.8)	2.3	502 (54[illegible])	[illegible]	'88 was year of consolidation; will continue to build strength in '89. Partner-manager approach remains in place. Shift in promotional focus to events, not discounts. PC: Investors Management Corp.
48 (43)	**Western Sizzlin' Steak House Inc.** Dallas, Texas Full service (steakhouses)	450.0 (466.2)	−3.5	[illegible] (54[illegible])	na	Buyout brought new mgmt. team headed by Frank Carney and Michael Stack. "Holiday Bounceback" was most successful promo; will build lunch business in '89. New building design, signage, menus. PC: Triton Group Ltd.
49 (A)	**Westin Hotels & Resorts** Seattle, Wash. Lodging	427.4* (A)	—	267* (A)		Under new Japanese owners, chain committed to expansion. Broke ground on Walt Disney World Swan Hotel 1/88; will open Pacific Shanghai Hotel this year. Larry Magnan named new CEO 4/89. PC: Aoki Corp.
50 (49)	**Ogden Allied Services Corp.** New York, N.Y. Contract management	425.0 (388.5*)	9.4	1,725 (1,725*)	—	Diverse foodservice mgmt. co. continues expansion in all 6 divisions, including aviation, B&I, industrial and leisure services. Outdoor amphitheater business is strong in leisure.

*R&I estimate **company est. †commercial equiv. (A) no comparison with '88 data possible (B) adjusted method of reporting figures [illegible]

400: RANKING

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
51 (72)	**Chi-Chi's Inc.** Louisville, Ky. Full service (dinner houses)	422.9 (370.0)	14.3	192 (201)	−4.5	Southwest-style dinner-house chain cut back 21 slow units to keep turnaround momentum going. Working on labor retention, some expansion. AUV is $2.5MM. PC: Foodmaker Inc.
52 (41)	**Inter-Continental Hotels Corp.** New York, N.Y. Lodging	420.0** (490.0*)	−14.3	424** (300*)	41.3	Grand Met sold co. to Seibu/Saison Group, Japanese firm. Growth planned in U.S., Mexico, Canada and China. Forum and Inter-Continental units open in Chicago in '89 and '90.
53 (A)	**El Torito Restaurants Inc.** Irvine, Calif. Full service (dinner houses)	390.0 (402.0)	−3.0	179 (187)	−4.3	The "lee-tle toros" new president is Mike Casey. Priority: improve business. 78 diverse units operate under names such as Casa Gallardo. PC: Restaurant Ent. Group Inc.
54 (55)	**Walt Disney Co.** Lake Buena Vista, Fla. Diverse restaurants	382.0 (336.0)	13.7	179[F] (182)	−1.6	Recreation leader growing on all fronts. Disney-MGM Studio theme park, Pleasure Island and Typhoon Lagoon to open at Disney World in '89; Splash Mountain set at Disneyland.
55 (A)	**Quality Inns International** Silver Spring, Md. Lodging	376.0 (A)	—	815 (A)	—	Quality's latest addition to hotel segmentation is the economy Sleep Inn. Co. plans to increase its international properties by 50% in '89. TV ads target senior and summer travelers.
56 (53)	**Perkins Family Restaurants L.P.** Memphis, Tenn. Full service (family dining)	375.0 (343.7)	9.1	341 (334)	2.1	Northeast chain closed 10 not-so-perky units. AUV at 114 company-owned stores is $1.2MM. Product development main '89 strategies. PC: Tennessee Restaurant Co.
57 (A)	**Captain D's** Nashville, Tenn. Full service (family dining)	374.3 (342.6)	9.3	588 (578)	1.7	Continues to feel impact of recapitalization. Slowing growth of company units, expanding franchised units. Increased same-store sales with operating efficiencies. PC: Shoney's Inc.
58 (A)	**TGI Friday's Inc.** Dallas, Texas Full service (dinner houses)	373.0 (364.0)	2.5	136 (128)	6.2	A banner year in '88 (net income increased 58% from '87 to $12.4MM) means growth in '89. Will build 8 company-owned units and 6 franchises, sell 19 to franchisees. PC: Carlson Cos.
59 (143)	**Days Inns of America Inc.** Atlanta, Ga. Lodging	370.8[F] (125.0)	196.6	698 (384)	81.8	'88 was banner year with 300 hotels added to chain. Growth for '89 predicted to be even greater, with 113 franchise agreements signed in first quarter alone.
60 (47)	**United Airlines** Elk Grove Village, Ill. Transportation	367.3† (397.6†)	−7.6	15 (18)	−16.7	Sold Westin Hotels to Japanese interest 1/88, and Hertz Rental Car Co. to Hertz execs and Ford 10/87. Aims to focus on core business—airlines. New kitchen at Dulles Airport.
61 (51)	**Rax Restaurants Inc.** Columbus, Ohio Fast food (sandwiches)	366.7** (358.3)	2.3	521 (529)	−1.5	Although sales at original salad bar (now evolved into fourth phase as lunch/dinner bar) constitute 25% to 30% of total, menus going back to sandwiches in '89. Fy end 7/89.
62 (58)	**Sonic Industries Inc.** Oklahoma City, Okla. Fast food (hamburgers)	356.0 (315.0)	13.0	980 (953)	2.8	Company showed a profit of $1.5MM for '88. AUV is $356K. Profits equal 11% of sales. Franchisees organized into advertising and purchasing co-ops. 70 new units planned for '89.
63 (79)	**Chili's Inc.** Dallas, Texas Full service (dinner houses)	350.0** (253.0**)	38.3	183 (146)	25.3	Plans 20-23 company-owned units and up to 15 joint-venture or franchised units in '89. In '88, introduced new menu and decor, opened 21 company-owned and 11 franchised units.
64 (A)	**Dobbs International Services Inc.** Memphis, Tenn. Contract management	348.0†* (A)	—	48 (A)	—	Airline caterer settles down to business after late '87 purchase by Greyhound. Launched "Quality Improvement" campaign. Opened new kitchen in Fort Myers, Fla. PC: Greyhound Corp.

*R&I estimate **company est. †commercial equiv. (A) no comparison with '86 data possible (B) adjusted for shift in reporting figures (F) franchisee sales est. (R) revised

400: RANKING

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
65 (70)	**K mart Corp.** Troy, Mich. Retail	342.6 (274.5*)	24.8	1,621 (1,559)	4.0	Reinforcing fs. operations. Expansion plans for 40-50 smaller existing stores will include space for fs. outlets. New stores will be designed with fs. near front entrance. Average seating: 34.
66 (56)	**U.S. Air Force Open Mess System** Randolph AFB, Texas Military	337.4† (331.0†)	1.9	270 (262)	3.1	Due to congressional "correction," the Air Force will begin phasing out military open mess managers. Prices and services to personnel will be adjusted accordingly.
67 (62)	**Pizza Inn** St. Louis, Mo. Full service (pizza)	325.0** (300.0**)	8.3	666 (786)	−15.3	Pizza's No. 4 is regional powerhouse. Co. repositioning from fast food to casual dining, offering pasta & salad buffet all day, all week, to nab quick-lunch, dinner crowd. PC: Pantera's Corp.
68 (A)	**Morrison Family Dining Division** Mobile, Ala. Cafeterias	323.0 (310.0)	4.2	170 (162)	4.9	Avg. check per person is $4.70; AUV, $1.9MM. Ten units opened in '88; 8 planned for '89. Breaking from tradition, some new units will be free-standing. PC: Morrison Inc.
69 (64)	**International House of Pancakes Restaurants** North Hollywood, Calif. Full service (family dining)	315.8 (297.5)	6.2	437 (454)	−3.7	Thirty something: 7/88 marked co.'s 30th birthday under blue roof; has grown through franchising in U.S., Canada, Japan. AUV now $668K. 20 openings, 3 closings in '89.
70 (A)	**Olive Garden** Orlando, Fla. Full service (Italian)	300.0 (200.0*)	50.0	134 (90)	48.9	Watching the Garden grow: Italian dinner houses making believers of skeptics in 37 markets; will run promo, "The Best of Italy Grows in the Garden." PC: General Mills Restaurants Inc.
71 (57)	**U.S. Air Force Engineering and Services Center** Tyndall AFB, Fla. Military	298.8† (319.5†)	−6.5	597 (669)	−10.8	Expanding and improving information management system. Automation implemented at 70 bases. Plans to increase cross-training for foodservice and service career fields.
72 (52)	**Greyhound Food Management Inc.** Phoenix, Ariz. Contract management	290.8* (350.0**)	−16.9	278 (450)	−38.2	Aim is to expand foodservice contract business (especially B&I); co. continues to divest itself of Cassano's pizza concept and bldg. maintenance div. to do so. PC: Greyhound Corp.
73 (68)	**Sky Chefs Inc.** Dallas/Fort Worth Airport, Texas Contract management	290.5† (275.8†)	5.3	40 (35)	14.3	Airline feeder purchased majority interest in Southwest Dining Service Inc., Texas-based contract foodservice co. Contracted to manage Eastern's new 133K-sq.-ft. kitchen in Atlanta.
74 (87)	**Bob Evans Farms Inc.** Columbus, Ohio Full service (family dining)	290.0 (220.0)	31.8	223 (196)	13.8	Good '88 harvest: 27 new units, increased sales. Closed most Chicago units. AUV is $1.45MM. '89 strategies: focus on breakfast and dinner, develop Owens Restaurants. Fy end 4/89.
75 (67)	**White Castle System Inc.** Columbus, Ohio Fast food (hamburgers)	282.0 (282.6)	−0.2	237 (236)	0.4	Quiet giant continues steady growth. AUV is $1.2MM, but chain reports flat customer counts. Opened first drive-thru-only in '88, plans more as well as 16 full-service. Fy end 1/89.
76 (73)	**Whataburger Inc.** Corpus Christi, Texas Fast food (hamburgers)	280.5* (265.0**)	5.8	415* (392)	5.9	Co. is general partner in 6 subsidiaries that lease land and buildings to company-owned stores. Will grow in current six-state market: Ariz., Texas, N.M., Okla., Tenn., Ala. and Fla.
77 (77)	**Furr's/Bishop's Cafeterias** Lubbock, Texas Cafeterias	272.8 (256.2)	6.5	157 (152)	3.3	128 Furr's in 10 states; 27 Bishop's in 7 states. Co. is carefully studying the Furr's Pie Kitchen concept—now 2 units in Texas—for possible future expansion in other areas.
78 (60)	**Beverly Enterprises** Pasadena, Calif. Health care	268.8† (308.0†)	−12.7	1,050 (1,052*)	−0.2	Downsizing of nursing-home giant still not complete. Reason: over-expansion and resultant losses. Dietary HQ now at Atlanta training center. New: retirement venture in Japan.

*R&I estimate **company est. †commercial equiv. (A) no comparison with '88 data possible (B) adjusted method of reporting figures [illegible]

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Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
79 (A)	**Radisson Hotel Corp.** Minneapolis, Minn. Lodging	268.0 (200.0)	34.0	340 (316)	7.6	One of the fastest-growing upscale hotel companies, with number of properties tripling in past 4 years. Projects 240 properties by year's end, 350 by 1992. PC: Carlson Hospitality Group.
80 (69)	**Trans World Airlines Inc.** New York, N.Y. Transportation	267.0† (275.0†*)	−2.9	3 (3*)	—	Coming off its second record profit-making year in a row, at $259MM, up 8% from '87. (Last record-breaking profit year was '65.) Bought 40 new Airbus jets for $3.6 billion spring '89.
81 (75)	**Round Table Pizza** San Francisco, Calif. Full service (pizza)	267.0 (262.5)	1.7	540 (535)	0.9	Decor upgrade program and new delivery emphasis at Round Table. Co. opened fewer units than planned last year, but says 50 new stores are slated for '89, mostly West Coast.
82 (97)	**The Circle K Corp.** Phoenix, Ariz. Retail (convenience stores)	263.4* (190.0**)	38.6	4,600 (3,600)	27.8	In 9/88, acquired all 538 Charter Food Stores. McLane Convenience Foods bought co.'s fs. div. Steve Schwitalla resigned as senior v.p. to pursue "other interests." Fy end 4/89.
83 (85)	**Waffle House Inc.** Norcross, Ga. Full service (family dining)	262.1* (230.6*)	13.7	667 (610*)	9.3	Privately held co. with units in 20 states, mostly South Atlantic, begins 34th year with increased sales and units: 308 company-owned, 359 franchised. Plans 6 new units in '89. Fy end 6/89.
84 (83)	**Luby's Cafeterias Inc.** San Antonio, Texas Cafeterias	262.0 (232.9)	12.5	117 (103)	13.6	AUV is $2.35MM; average check, $4.53. 9 units opened in '88. On the drawing board, 12 for '89. Expanded takeout business by remodeling units with separate entrance.
85 (123)	**Shakey's Inc.** Irving, Texas Full service (pizza)	260.8^{B} (145.4)	79.4	405 (364)	11.3	Shakey's Intl., operating primarily in Japan, Philippines and Mexico, was reunited with domestic co. 2/89. Chain to open 12 new units in '89. Domestic AUV is $700K, intl. lower.
86 (74)	**Veterans Administration** Washington, D.C. Military	258.2† (264.3†)	−2.3	172 (162)	6.2	Reducing workloads; increasing automation; implementing efficiency reviews; developing proposals for advanced food preparation. Testing dental liquid diets.
87 (A)	**Quincy's Family Steak Houses** New York, N.Y. Full service (dinner houses)	251.0 (221.5)	13.3	211 (215)	−1.9	Addition of dessert bar to Country Sidebar helped increase customer count by 11%. Now testing breakfast. 10 units planned for '89 will be bigger, have new design. PC: TW Services Inc.
88 (81)	**Carvel Corp.** Yonkers, N.Y. Fast food (sweets)	243.8* (243.8*)	—	750 (750**)	—	Co. that pioneered the first specialty ice cream cakes held steady in '88, both menu-wise and expansion-wise. Projected addition of 50 new units on East Coast and in Los Angeles in '89.
89 (89)	**Piccadilly Cafeterias Inc.** Baton Rouge, La. Cafeterias	241.7* (217.5)	11.1	132 (116)	13.8	Recently acquired Ralph & Kacoo's seafood restaurant chain. Piccadilly will continue its venture into California with 2 additional units. 10 to 12 new cafeterias will be opened in '89.
90 (76)	**New York City Board of Education** Long Island City, N.Y. Schools	241.6†** (257.6†**)	−6.2	1,238 (1,207)	2.6	Breakfast marketing campaign by top school district included special Disney materials at 600 sites. Changes ahead include expanded salad bars, deli bars, pasta bars.
91 (84)	**U.S. Marine Corps** Washington, D.C. Military	240.0†** (231.8†**)	3.5	107 (109)	−1.8	Installing an automated information system for improved efficiency and tracking of products and costs; planning to continue facilities improvement; testing canned bread for field use.
92 (100)	**Ryan's Family Steak Houses Inc.** Greer, S.C. Full service (steakhouses)	234.0 (185.0)	26.5	122 (95)	28.4	CEO & Pres. T. Mark McCall, son of founder Alvin McCall, left co.; replaced by Charles Way. Will start advertising to support emphasis on building AUV rather than opening new stores.

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Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
93 (A)	**Village Inn Pancake Houses** Denver, Colo. Full service (family dining)	233.0 (A)	—	272 (A)	—	Power breakfast: New management team for all-day breakfast concept. Opened 8 units, closed 10; will open 5 and close 21 in '89. Fy end 10/88. PC: VICORP Restaurants Inc.
94 (94)	**Chick-fil-A Inc.** Atlanta, Ga. Fast food (chicken)	232.9 (202.7)	14.9	390 (364)	7.1	New restaurants totaled 24 in '88, including 10th free-standing unit in Atlanta. More free-standing restaurants outside of malls to come, including first outside of Atlanta.
95 New Member	**Godfather's Pizza Inc.** Omaha, Neb. Fast food (pizza)	231.0 (261.0)	−11.5	534 (583)	−8.4	LBO worked; "Spooner Wiggins" ads didn't. New campaign back to sales basics of quality and value, features BaconCheesburger Pizza, dessert pizza, and Herman Cain. AUV $440K.
96 (157)	**Del Taco Inc.** Costa Mesa, Calif. Fast food (Mexican)	226.9* (110.0)	106.3	370 (200)	85.0	Analyzed customer acceptance of Del Taco & Naugles, will combine best of both in decor and menu as units convert to Del Tacos. Next stop, Pacific Rim. PC: AWR II Acquisition Corp.
97 (66)	**Hospital Corp. of America** Nashville, Tenn. Health care	226.8†* (288.8†*)	−21.5	300 (404)	−25.7	With LBO completed, cost containment, revenue enhancement are current buzz words at HCA. Dietary dept. coordinates networking of hospital food chiefs for decentralized chain.
98 (91)	**Mister Donut of America** Minneapolis, Minn. Fast food (sweets)	226.0 (210.0)	7.6	780 (709)	10.0	Placed emphasis on Canadian development and operations in '88. Solidified extension of baked goods product line. Double drive-thru satellites planned for '89.
99 (92)	**National Medical Enterprises Inc.** Orange, Calif. Health care	226.0†* (210.0†**)	7.6	657 (578)	13.7	Hillhaven nursing home chains and A.E. Brim subsidiaries are scheduled for spin-off. But central dietary dept. still oversees food/nutrition for these chains plus NME hospitals.
100 (A)	**Marie Callender Pie Shops Inc.** Phoenix, Ariz. Full service (family dining)	226.0 (A)	—	152 (A)	—	Callender year: Ramada, '88 PC, sold chain 5/89, bringing management reorganization and "Prototype 5700," space-efficient unit. PC: Wilshire Restaurant Group.
101 (A)	**Steak & Ale** Dallas, Texas Full service (steakhouses)	225.0** (256.0)	−12.1	159 (171)	−7.0	Will continue successful "Legend in steak" promo. Rolled out new lunch and dinner menus. All 3 cuts of prime rib continue to be best sellers. PC: Pillsbury Restaurant Group.
102 (110)	**California Department of Corrections** Sacramento, Calif. Institutions	224.0†** (168.6†**)	32.9	149 (75)	98.7	Big growth in feeding the state's 78,000 inmates. Phasing in cook-chill facilities (7 complete, 7 under construction) and standardizing menus, recipes. Fy end 6/30/89.
103 (145)	**TCBY Enterprises Inc.** Little Rock, Ark. Fast food (sweets)	210.0 (121.2)	73.3	1,175 (822)	42.9	Aggressive development of metropolitan markets and '87 field-support restructuring have contributed to rapid growth. New nonfat item to be added. Fy end 11/88.
104 New Member	**ShowBiz Pizza/Chuck E. Cheese** Irving, Texas Full service (pizza)	209.2* (177.0)	18.2	258 (275)	−6.2	New spinoff from Integra Corp. is restructuring debt, remodeling units, reformulating pies. New president Terry Spaight must decide whether to spin off 58-unit Monterey House chain.
105 (103)	**The Ground Round Inc.** South Weymouth, Mass. Full service (dinner houses)	209.0 (181.6)	15.1	215 (191)	12.6	Chain returned to Chicago market via purchase and remodel of 20 Stuart Anderson's. AUV $1.2MM; alcohol accounts for 25% of sales. PC: Hansen Plc., London. Fy end 4/89.
106 (116)	**Hyatt International** Chicago, Ill. Lodging	206.3 (160.0)	28.9	207* (200**)	3.5	F&B profits are 23% of total F&B sales. Worldwide sales offices reorganized into area/regional marketing centers. Will open new properties in Hong Kong and Taipei, Taiwan, in '89.

*R&I estimate. **Company est. †Commercial equiv. (A) No comparison with '88 data possible. (B) Adjusted method in reporting figures. [illegible]

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
107 (82)	**Northwest Airlines Inc.** Egan, Minn. Transportation	205.3† (233.7†)	−12.2	67 (81)	−17.3	Carrier reports 3.4% decrease in passenger counts in '88, but travel miles up. Pacific flights offer "World Class Service": on-board chefs, upgraded wine lists, crystal.
108 (63)	**The Seiler Corp.** Waltham, Mass. Contract management	204.8* (224.4*R)	−8.7	400 (400)	—	Health-care market continues to be area of growth for diverse foodservice mgmt. co. All departments are refining marketing programs. Will grow in Southeast and Midwest.
109 (107)	**Harry M. Stevens Inc.** Cranbury, N.J. Contract management	200.0 (175.0)	14.3	40 (37)	8.1	Foodservice mgmt. and concessionaire expands "walk-through" concession design at Miami Arena and Central Park Zoo. Introducing Sports Parlors for simulcasting at race tracks.
110 (112)	**ServiceMaster Co., Food Management Division** Downers Grove, Ill. Contract management	200.0 (165.0)	21.2	260 (235)	10.6	Health-care and education foodservice contractor had a healthy increase in sales in '88. No new acquisition plans for '89, but eyes always open, esp. in health-care market.
111 (A)	**Bakers Square Restaurants** Denver, Colo. Full service/(family dining)	189.4** (155.8)	21.6	152 (138)	10.1	Square meals: All-day menu, but focus on dinner. Co. curtails down-sized "Taste of Bakers Square." Incentive program for store mgrs. Fy end 10/89. PC: VICORP Restaurants Inc.
112 (98)	**Wyatt Cafeterias Inc.** Dallas, Texas Cafeterias	189.0 (169.0)	—	120 (119)	0.8	Employees bought 100% of common stock through LBO, rejected buyout bid from Furr's/Bishops Cafeterias L.P. AUV is $1.6MM.
113 (106)	**Specialty Restaurants Corp.** Anaheim, Calif. Diverse restaurants	189.0 (178.0**)	6.2	74 (73)	1.4	Back-to-basics mentality meant refurbishing but no new units in '88; none planned for '89. Co. will remodel more Shanghai Red's, Castaways, Baby Doe's and 94th Aero Squadrons.
114 (113)	**Bally Resort Hotels** Chicago, Ill. Lodging	187.6* (164.2*)	14.3	29* (29*)	—	Las Vegas hotel and casino undergoing extensive renovation in all guest rooms and public areas. Floor-by-floor renovations should be complete by end of '90.
115 (A)	**Grandy's** Lewisville, Texas Fast food (chicken)	184.0 (185.0)	−0.5	206 (205)	0.5	Down-home look to be updated, lighter and brighter for '90s. Co. moving into 7 countries in Asia and South Pacific. One unit opened in Malaysia in '88, with more planned.
116 (111)	**Los Angeles Unified School District** Los Angeles, Calif. Schools	180.6†* (167.7†**)	7.7	580 (574)	1.0	With 187,000 breakfasts served a day, central production commissary plays key role. L.A. also serves more than 300,000 lunches a day plus 51,000 other meals, including day care.
117 (A)	**Stouffer Hotel Group** Solon, Ohio Lodging	178.4* (A)	—	96 (A)	—	Co. recently purchased renowned Stanford Court Hotel in San Francisco. Target expansion markets include San Diego, Boston, New York City, Atlanta and St. Croix.
118 (101)	**The Krystal Co.** Chattanooga, Tenn. Fast food (hamburg	178.0 (184.0)	−3.3	232 (243)	−4.5	Co. began franchising for first time in 56 years; plans to franchise double-drive-thru "Krystal Kwik" concept. AUV is $765K. Note that '87 was a 53-week fiscal year.
119 (115)	**Paragon Specialty Restaurants** San Diego, Calif. Diverse restaurants (full service/family dining)	177.0 (162.0)	9.3	85 (83)	2.4	Steakhouses becoming Hungry Hunter or Mountain Jack. Seafood units trade under 4 names: Boathouse Grill, Monterey Whaling Co., Whaling Station, Dock. PC: Paragon Restaurant Group.
120 (A)	**Stuart Anderson's Black Angus** Los Altos, Calif. Full service (steakhouses)	176.4* (A)	—	84 (A)	—	Co. continues to focus on West and Midwest. Opening one company-owned unit on West Coast this year. Will continue upgrading decor. PC: American Restaurant Group Inc.

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Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
121 (122)	**Brown Derby Inc.** Cleveland, Ohio Full service (dinner houses)	174.0* (148.0)	17.6	70 (50)	40.0	A "new look" campaign. New and remodeled units will have skylights, lots of windows. Prototype opened in March in Dayton, Ohio. 5-10 new units planned for Fla.
122 (131)	**Tony Roma's—A Place for Ribs** Dallas, Texas Full service (dinner houses)	171.2* (136.8*)	25.1	118 (96)	22.9	17-year-old chain makes no bones about continued success, but won't divulge actual sales. Cash awards to stores offering outstanding service keeps employees happy.
123 (A)	**Country Kitchen International** Bloomington, Minn. Full service (family dining)	167.3 (169.2)	−1.1	252 (252)	—	Double the recipe: Co.'s goal is 500 Kitchens by end of '92. Interior remodel and signage update are key parts of "Blue Ribbon Taste" media campaign. PC: Carlson Hospitality Group.
124 (117)	**A&W Restaurants Inc.** Livonia, Mich. Fast food (sandwiches)	164.5 (154.0)	6.8	530 (531)	−0.2	After 10-year hiatus from franchising, co. looks forward to new growth in master franchise agreement with Carousel Snack Bars. Built 21 new units in '88, plans 30 more in '89.
125 (109)	**U.S. Navy Officer's and Enlisted Club System** Washington, D.C. Military	164.0† (168.6†)	−2.7	276 (261)	5.7	Recent congressional legislation removed appropriated fund subsidy for almost all clubs. Expects to overhaul current operations; needs assessments, customer surveys in progress.
126 (93)	**Mrs. Fields Inc.** Park City, Utah Fast food (sweets)	160.0 (203.2*)	−21.3	650 (700)	−7.1	Sales down this year as co. closed about 65 units. Seeking to revive itself by diversifying and combining: Recently acquired La Petite Boulangerie stores.
127 (126)	**dáka Food Service** Wakefield, Mass. Contract management	159.0* (142.6)	11.5	337 (347)	−2.9	Merged with Fuddruckers, San Antonio, Texas-based burger chain in '88. New parent co. is developing franchising plan for Fuddruckers. PC: Daka International.
128 (154)	**Omni Hotels Corp.** Hampton, N.H. Lodging	156.0 (116.8)	33.6	86* (80*)	7.5	Co.'s TV ad campaign recently received a gold award from the Hotel Sales and Marketing Association International. Four individual hotels won awards for F&B print ads.
129 (104)	**PoFolks Inc.** Nashville, Tenn. Full service (family dining)	155.5 (180.0)	−13.6	149 (164)	−9.1	Happy folks: '89 reorganization stops Chapter 11, brings traffic and 10% sales jump. New "2nd generation" design says: country home. So. Calif. is hot market, sales high. Fy ends 9/88.
130 (68)	**Concession Air Corp.** Grand Prairie, Texas Contract management	155.0 (A)	—	45 (A)	—	Co. added Sbarro Italian, Gold Star Chili and Nathan's Hot Dogs concepts to its airport concessions. New trend is food courts that center on a theme. PC: Delaware North Cos.
131 (A)	**Sbarro Inc.** Commack, N.Y. Full service (Italian)	154.0 (117.0**)	31.6	328 (253)	29.6	Italian cafeteria-style feeder still marching the malls, but seeking new venues too, esp. turnpikes and freestanding stores. Added 65 units last year, plans 80 in 1989.
132 (A)	**Sportservice Corp.** Buffalo, N.Y. Contract management	153.0 (A)	—	150 (A)	—	Sports concessionaire expects to make $195MM in new business in '89 and '90. Contract with new Chicago stadium alone to produce $20MM. PC: Delaware North Cos.
133 (A)	**Tastee Freez** Utica, N.Y. Fast food (sweets)	151.2 (104.0)	45.4	512 (421)	21.6	Co. plans to open 25 and close 10 to 15 units during '89. New design makes room for gourmet ice-cream counter. AUV is $267K. Profits 9% to 10% of sales. PC: DeNovo Corp.
134 (A)	**Embassy Suites** Irving, Texas Lodging	150.0 (A)	—	91 (A)	—	Chain comprises 67% of total all-suite hotels. Added 7 hotels in '88, 15 more under construction. Occupancy rate: 70%. Garfield stays in ads. PC: Holiday Corp.

*R&I estimate. **Company est. [illegible]

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Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
135 (168)	**Trusthouse Forte Food Services Inc.** Trumbull, Conn. Contract management	148.0 (100.0)	48.0	398 (321)	24.0	Aggressive account acquisition in Calif. and Fla. in '88 helped raise revenues for this foodservice mgmt. co. Midwest is next focus area. PC: Trusthouse Forte Plc.
136 (99)	**F.W. Woolworth Co.** New York, N.Y. Retail (department stores)	144.0 (187.0*)	−23.0	750 (1,050*)	−28.6	Stores eyeing convenience foods to curtail labor costs, yet retain quality. Looking to improve children's base to bring in parents. F.W.'s 19 Burger Kings (not incl. in sales) did $12MM.
137 (A)	**Winchell's Donut House** La Mirada, Calif. Fast food (sweets)	144.0 (158.5)	−9.1	668 (764)	−12.6	Sold license to Winchell's in Japan and now are solely in U.S. Changes in core products planned, including new doughnuts and low-sugar baked goods. PC: Denny's Inc.
138 (137)	**Mazzio's Pizza** Tulsa, Okla. Full service (Italian)	143.0 (130.0)	10.0	280 (350)	−20.0	¼ of Mazzio's units are actually Ken's Pizza, but both concepts run alike. Co. has phased out Scooter's Pizza Delivery concept. 120 units company-owned. AUV is $514K.
139 (A)	**Lee's Famous Recipe Chicken** Nashville, Tenn. Fast food (chicken)	142.4 (136.6)	4.2	282 (277)	1.8	Good year for Lee's, with sales up 18% and net increase of 7 new units. 70% of units converted to new "farmhouse" building design by end of '88. Fy ends Oct. 30. PC: Shoney's Inc.
140 (133)	**The Ritz-Carlton Hotel Co.** Atlanta, Ga. Lodging	142.0 (A)	—	40 (A)	—	First international property for Ritz-Carlton opens in Sydney, Australia, in '89. Domestic cities targeted for growth include Philadelphia, Cleveland and St. Louis.
141 (138)	**Fuddruckers Inc.** Wakefield, Mass. Full service (dinner houses)	141.0 (130.0)	8.5	117 (116)	0.9	Merger with daka moves co. to Mass. Terry Vince new chairman, Bill Baumhauer president. AUV $1.25MM. Four co. stores, 16 franchised units planned for '89. PC: Daka International.
142 (139)	**Red Lion** Vancouver, Wash. Lodging	140.0 (128.5)	8.9	127 (113)	12.4	Red Lion plans to open two new Calif. properties, the Red Lion Modesto and Red Lion San Diego, in '90. Co. also hopes to acquire properties in other markets.
143 (121)	**Food Dimensions Inc.** Emeryville, Calif. Contract management	140.0† (148.7†*)	−5.9	175 (115)	52.2	Health-care and nursing-home foodservice contractor reports a 95% account retention rate. Expanded in Southwest markets. Strong cafeteria merchandising. Fy end 8/88.
144 (146)	**The Wood Co.** Allentown, Pa. Contract management	138.7 (120.7)	14.9	235 (194)	21.1	Acquired Food Concepts Inc. on 1/6/89 (150 new accounts) in effort to increase business-dining services market. Customer-information service should enhance image, corp. profile.
145 (141)	**Braum Ice Cream & Dairy Stores Co.** Oklahoma City, Okla. Fast food (sweets)	134.9* (126.8*)	6.4	215 (200)	7.5	Family-owned chain opened 15 new restaurants in '88. Renovation plans include razing older stores, building new ones on site. New non-ice cream menu items to be added in '89.
146 (136)	**Caesar's World Inc.** Los Angeles, Calif. Lodging	134.2 (130.0)	3.2	37 (34)	8.8	Las Vegas operation added "Empress Court" Chinese restaurant in '88 as part of the Palace's expansion program. Cooks from China prepare many regional dishes.
147 (119)	**Club Corp. of America** Dallas, Texas Contract management	133.0 (152.9*)	−13.0	141 (225)	−37.3	Co. continues upgrading food and beverage service and is increasing staff training to enhance professionalism. Plans 20 new clubs in '89; opened 10 in '88.
148 (A)	**Harrah's Casino Hotels** Reno, Nev. Lodging	132.5 (A)	—	50* (A)	—	466-room Harrah's Del Rio, opened 8/88 in Laughlin, Nev., ran 95% occupancy rate in '88. $31MM expansion planned already. F&B ranges from fast food to gourmet. PC: Holiday Corp.

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400: RANKING

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
149 (149)	**Papa Gino's of America** Dedham, Mass. Full service (pizza)	128.3 (120.0)	6.9	205 (200)	2.5	Pizza chain opened 15 units in '88, 3 in Fla. and 4 delivery-only stores in New England. Plans at least 6 more delivery-only units in '89. AUV is $650K. Fy end 9/88.
150 (140)	**Chicago Board of Education, Dept. of Foodservice** Chicago, Ill. Schools	128.0†* (128.2†**)	−0.2	587 (585)	0.3	New state-of-the-art facility includes test kitchen, will incorporate central bakery to produce, among other products, system's famous chocolate chip cookies.
151 (A)	**Ruby Tuesday** Mobile, Ala. Full service (dinner houses)	128.0 (96.0)	33.3	80 (64)	25.0	In '88, chain grew beyond Southeast base into Northeast and Midwestern markets. Will look for free-standing non-mall sites; testing barbecue and pasta. AUV is $1.6MM. PC: Morrison Inc.
152 (132)	**Mr. Gatti's Inc.** Austin, Texas Fast food (pizza)	127.0* (136.0)	−6.6	300** (338)	−11.2	Quiet-spoken pizza/sandwich concept has apparently cut back units after slow but steady growth. Doing drive-thru, takeout and delivery in Mid-Atlantic and Southeastern markets.
153 (A)	**Orange Julius** Minneapolis, Minn. Fast food (sweets)	125.0 (71.1*)	75.8	709 (744)	−4.7	Following acquisition by IDQ late in '87, 46 units closed, 4 were converted to Treat Centers and 15 new stores opened. PC: International Dairy Queen. Cautious growth ahead.
154 (A)	**El Pollo Loco** Santa Fe Springs, Calif. Fast food (chicken)	124.0 (A)	—	160 (A)	—	Things are clucking right along for the popular chicken chain with its Mexican-style product. Plans 50 new units in Southwest, Northwest, Calif., Nev., Fla. PC: TW Services.
155 (148)	**Kettle Restaurants Inc.** Houston, Texas Full service (family dining)	123.2 (120.0)	2.7	201 (207)	−2.9	What's cooking? Sales increase, unit decrease add up to main strategy for '88 and '89 of closing unprofitable units. 13 is lucky number closed in '88. Fy end 10/88.
156 (129)	**Navy Resale and Services Support Office** Staten Island, N.Y. Military	117.6† (138.9†)	−15.3	581 (650)	−10.6	Retail exchanges and commissary stores don't receive appropriated funds and budgets haven't been cut directly. But they're encouraged to provide "surplus" dollars to other depts.
157 (164)	**Taco John's International** Cheyenne, Wyo. Fast food (Mexican)	116.0 (102.6)	13.1	439 (420)	4.5	Co. continues to grow quietly within its Western market. Added 35 units in '88, has 30 more on the drawing boards. Closed 10 last year, will shutter another 5 by year's end.
158 (156)	**Chart House Restaurants** Solana Beach, Calif. Full service (dinner houses)	111.1* (111.1*)	—	60 (63)	−4.8	In its first major growth spurt since co.'s LBO in '86 from Diversifoods, Chart House opened 4 restaurants in first quarter 1989. Two more are still to come.
159 (155)	**El Chico Corp.** Dallas, Texas Full service (dinner houses)	110.0 (112.0)	−1.8	98 (98)	—	Company won't restructure or dispose of any significant part of its assets. Plans might involve sale of real estate, some stores. Will evaluate target markets.
160 (166)	**International Blimpie** New York, N.Y. Fast food (sandwiches)	110.0** (101.8**)	8.1	375 (300)	25.0	Sandwich chain focused on improving expansion through sale of more exclusive area distributorships in '88. 1989 marks 25th anniversary year. PC: Astor Restaurant Group.
161 (A)	**Howard Johnson** South Weymouth, Mass. Full service (family dining)	110.0** (102.0**)	7.8	136 (141)	−3.5	Remnant of once-mighty Orange Empire has new national food distribution system, will get new prototype design on first company-owned restaurant. PC: Franchise Associates Inc.
162 (A)	**Wienerschnitzel** Newport Beach, Calif. Fast food (sandwiches)	107.6* (100.0*)	7.6	274* (276)	−0.7	April '89 saw launch of Big Foot line, 5 varieties of foot-long hot dogs. During testing, items averaged 4% to 5% of sales without external advertising. Fy end 7/88.

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Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
163 (159)	**Brown's Chicken** Lombard, Ill. Fast food (chicken)	105.0 (108.1*)	−2.9	158 (158)	—	Brown's held steady in '88 while updating training to improve service. Co. plans to remodel existing units and add 7 new units in next year. Fy end 10/1/88.
164 (264)	**Doubletree Hotels** Phoenix, Ariz. Lodging	105.0 (55.0)	90.9	90 (70)	28.6	Opening two new properties this summer in Dallas and Pasadena, Calif. In '88, Doubletree hotels gave away 2.5 million fresh chocolate chip cookies to first-time guests.
165 (193)	**Cracker Barrel Old Country Store Inc.** Lebanon, Tenn. Full service	104.4* (83.0)	25.8	67 (53)	26.4	Having a barrel of fun: With 17% increase in same-store sales over last year, 5 new units in '88. 7 planned for '89 will be financed by public stock offering. Fy end 7/88.
166 (173)	**Calif. Dept. of Rehabilitation, Business Enterprise Program** Sacramento, Calif. Institutions	102.8† (95.2†)	8.0	270 (278)	−2.9	'88 saw agency takeover San Francisco Master Postal Service Facility foodservice. Also added to highway rest-area vending-machine operations statewide. Fy end 9/88.
167 (A)	**Bojangles' Corp.** Charlotte, N.C. Fast food (chicken)	102.0** (A)	—	61 (71)	−14.1	Co. coming off restructuring effort, including selling of 63 units and refranchising others. Chain's sale to S.C. franchisee fell through. PC: The Horn & Hardart Co.
168 (190)	**Red Robin International** Irvine, Calif. Full service (dinner houses)	100.3 (85.0)	18.0	47 (47)	—	Co. plans 5 new company-owned stores, 3 in Southern Calif., 1 in Ore. and 1 in Wash. Two are models of new free-standing prototype. Co. also plans 10 franchised stores.
169 (151)	**Wag's Family Restaurants** Deerfield, Ill. Full service (family dining)	100.0 (119.3)	−16.2	91 (120)	−24.2	Tail end: Wave Wag's goodbye. New parent will convert Wag's to Allie's concept of full menu American plus food bars. Plan 62 Fla. Wag's conversions in '89. PC: Marriott Corp.
170 (177)	**Lyon's Restaurants Inc.** Foster City, Calif. Full service (family dining)	100.0 (92.0**)	8.7	65 (61)	6.6	LBO: In '88, management group led by president Thomas Glikbarg purchased co. from Sara Lee Corp. 24-hour restaurant chain will open 5 new units in '89. Fy end 6/88.
171 (161)	**J.B.'s Restaurants Inc.** Salt Lake City, Utah Full service (family dining)	99.7 (105.5)	−5.5	116 (110)	5.5	Bye-bye Big Boy: J.B.'s offically out of Big Boy system. Will sell underperforming units and aim for market focus, new store decor, stronger promotions. Fy end 9/88.
172 (172)	**Druther's International Inc.** Louisville, Ky. Fast food (hamburgers)	98.0 (96.2)	1.9	151 (162)†	−6.8	Company moved training programs from headquarters to the field. Ten units scheduled to open this year. AUV $645K. PC: Druthers International. Fy end 10/88.
173 (179)	**Fosters Freeze International** Arroyo Grande, Calif. Fast food (sweets)	95.0 (90.0)	5.6	200 (194)	3.1	Updating its look with new and contemporary units. Lighter foods in test market now. Added 6 new units in '88; plans to open 15 in next year. Customer counts up 20%.
174 (A)	**Dobbs Houses Inc.** Memphis, Tenn. Full service (family dining)	94.4* (A)	—	238 (A)	—	Airport concessionaire continues to grow after late '87 purchase by Greyhound. Added Pizza Strada scratch pizza concept in '88. Planning 25 units in '89. PC: Greyhound Corp.
175 (192)	**Trusthouse Forte Hotels** El Cajon, Calif. Lodging	93.1 (83.8*)	11.1	106 (83*)	27.7	Co. purchased Skylight Inns chain in '88. Plans for '89 include development of new Thriftlodge chain and continued expansion of the Travelodge chain in the U.K.
176 (176)	**Skipper's Inc.** Bellevue, Wash. Fast food (seafood)	93.0 (95.0)	−2.1	214 (219)	−2.3	Developing a new [illegible] takeout service in 45-50 locations. Spending $1.5MM [illegible] units. Increasing hourly salaries by 4.5%. All expenditures grow to [illegible] of revenue.

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400: RANKING

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
177 (152)	**Wometco Food Services** Anderson, S.C. Contract management	92.0^B (118.7†**)	−22.5	1,100* (1,140)	−3.5	Consolidating routes cut labor costs in '88 (currently 24% of total sales). Addition of a cook-on-site unit will add flexibility to contract foodservices. Fy end 6/89.
178 (257)	**The Registry Hotel Corp.** Dallas, Texas Lodging	92.0 (56.0)	64.3	37 (45)	−17.8	Registry added 2 properties in Denver and St. Petersburg, Fla., in 1988. Plans for '89 and '90 include 3 domestic properties and expansion into Europe and Pacific Rim.
179 (187)	**Loews Hotels** New York, N.Y Lodging	90.6 (86.2)	5.1	74 (74)	—	Co. will open 4 new F&B operations in 1989. '89 sees debut of first West Coast property, the Loews Santa Monica Beach Hotel, surrounded by local and national marketing events.
180 (178)	**Food Concepts Inc.** Rutherford, N.J. Contract management	90.0* (90.0*)	—	720 (720)	—	The "400" bids farewell to this foodservice mgmt. co. Some-150 B&I accounts bought by The Wood Co. on 1/6/89 to increase its dining services. Vending bought by Mycor.
181 (191)	**Swensen's Ice Cream Co.** Phoenix, Ariz. Full service (family dining)	90.0** (84.4*)	6.6	307 (356*)	−13.8	How sweet: In '88 Steve's bought Swensen's, moved HQ to Mass. Cardboard cut-out of founder Earle Swensen is sign for new "natural ice cream" rollout. PC: Steve's Ice Cream.
182 (185)	**Trans/Pacific Restaurants Inc.** Irvine, Calif. Diverse restaurants (full service/ dinner houses)	90.0 (86.[illegible])	3.6	54 (54)	—	Sold 9 Jolly Roger units to pay down debt from '86 LBO. Concentrating on operating efficiencies to offset 15% jump in labor costs from Calif.'s higher minimum wage. Fy end 3/89.
183 (160)	**Humana Inc.** Louisville, Ky. Health care	88.8† (106.4†)	−16.5	82 (86)	−4.7	Unlike Hospital Corp. & National Medical Enterprises, Humana's food operations completely decentralized. Some equipment, supply purchasing handled at HQ.
184 (196)	**Benihana of Tokyo Inc.** Miami, Fla. Full service (dinner houses)	88.0 (79.6)	10.6	50 (48)	4.2	Co. launches new Benihana Cafe concept—a downsized version of original—with 2 New York locations in '89. Big Splash units are plain Benihana's; frozen food a memory.
185 (175)	**Mr. Steak Inc.** Littleton, Colo. Full service (steakhouses)	85.0 (95.0)	−10.5	125 (146)	−14.4	Retrenchment '88: 18 underperforming units closed. Co. emerges from Chapter 11 in 8/89, hopes to repeat success of "Fresh Taste of Summer" promo. PC: Jamco Ltd.
186 (204)	**Resorts International Inc.** North Miami, Fla. Lodging	85.0 (77.0*)	10.4	23 (24*)	−4.2	Under Merv Griffin's ownership, co. expects to project higher marketing profile in tight lodging market. Major renovation slated for Atlantic City property in late '89.
187 (224)	**Taco Time** Eugene, Ore. Fast food (Mexican)	85.0 (70.0)	21.4	292 (264)	10.6	Major corporate reorganization under way. TT shedding family-owned image. New Pres. Howard Ollis will restructure operations, beef up franchising arm, aim at foreign growth.
188 (202)	**Guest Services Inc.** Fairfax, Va. Contract management	83.0 (77.3†)	7.4	125 (147)	−15.0	Co. predicts sales up 10% in '89 from new Smithsonian Air and Space Museum restaurants and new contract at Washington, D.C.'s National Airport, serving 15MM passengers a year.
189 (228)	**HBJ Parks Inc.** Orlando, Fla. Recreation	82.1 (66.3)	23.8	93** (78)	19.2	Co. manages fs. at Sea World, Cypress Gardens and Boardwalk and Baseball theme parks. Added 20 outlets in '88. Revamping kitchens for better labor use. PC: Harcourt Brace Jovanovich.
190 (221)	**Professional Food-Service Management Inc.** Livonia, Mich. Contract management	82.0 (70.0)	17.1	142 (132)	7.6	Co. broadening customer base with move into B&I. Landed Lockheed and Nabisco accounts in Texas. Had a chance to sell co. but opted for ESOP instead. Fy end 8/88.

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400: RANKING

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191 (A)	**Steak'n Shake Inc.** Indianapolis, Ind. Full service (family dining)	82.0 (76.7)	6.9	110 (106)	3.8	Traffic up 1.2% from '87. AUV $792K. 4 units opened, 2 closed in 1988; 8 to open this year. Company increasing emphasis on training. Fy end 9/88. PC: Consolidated Products.
192 (A)	**Marriott Family Restaurants** Washington, D.C. Full service (family dining)	81.9* (A)	—	163* (A)	—	Right up their Allie's: 14 units opened in San Diego; 87 more conversions in '89 from co.'s Howard Johnson, Wag's, Bob's Big Boy, Jolly Roger and Bickford's. PC: Marriott Corp.
193 (183)	**U.S. Dept. of Justice, Federal Prison System** Washington, D.C. Institutions	81.8† (88.2†)	−7.3	50 (47)	6.4	Despite 3 new federal prisons, overall numbers reflect a slight decrease because of cutbacks. Menus are also being revised to become "heart healthy." Fy end 9/30/88.
194 (A)	**Restaurant Associates Group** New York, N.Y. Diverse restaurants (full service/dinner houses)	80.9 (A)	—	20 (A)	—	In '88, launched Panevino, Italian concept; moved Mamma Leone's to new N.Y.C. site. Will open Caffe Sport restaurants in Embassy Suites. PC: Restaurant Associates Corp.
195 (208)	**Princess Hotels International** New York, N.Y. Lodging	80.7* (75.7*)	6.6	34 (33)	3.0	Co. now has 7 properties with addition of Palm Springs Marquis Hotel & Villas. Scottsdale property's new restaurant, Marquesa, features cuisine of northern Spain.
196 (198)	**Lettuce Entertain You Enterprises Inc.**, Chicago, Ill. Diverse restaurants (full service/dinner houses)	80.7 (78.5)	2.8	26 (31)	−16.1	Co. opened 2 restaurants in '88—Hat Dance and Tucci Benucch. Opened The Eccentric with investor Oprah Winfrey first quarter '89; 2 more planned this year.
197 (A)	**Taco Villa Inc.** Dallas, Texas Fast food (Mexican)	80.3 (84.2)	−4.6	147 (120)	22.5	Last remnant of W.R. Grace's high-flying empire closed 45 units in '88 and sold 23; but 12 new stores opened and 10 more to follow. TV ads, enhanced design, decor.
198 (215)	**Convenient Food Marts** Rosemont, Ill. Retail (convenience stores)	80.0* (72.5*)	10.3	1,282 (1,310*)	−2.1	60 franchisees left system to operate under their own names after co. repurchased territories from regional subfranchisees, adjusted '87 results down $6.3MM.
199 (200)	**Six Flags Corp.** Arlington, Texas Recreation	80.0 (78.0)	2.6	350 (350)	—	Co. runs fast-food concessions and 1-2 full-service restaurants at each of 9 parks; 30-75 food stands per park. Co. upscaled nacho platter, now testing breaded vegetables.
200 (249)	**Old Country Buffets** Eden Prairie, Minn. Cafeterias	79.8^{C} (58.3^{C})	36.9	60 (36)	66.7	Seventeen units opened in 1988. Plan to open 20 units in 1989, with expansion outside of the Midwest. Customer counts have increased 45%. Fy end 3/89. PC: Buffets Inc.
201 (428)	**Circus Circus Enterprises** Reno, Nev. Lodging	79.3 (25.5**)	211.0	15* (6)	150.0	Construction continues on the 4,032-room Excalibur hotel and casino in Las Vegas. Scheduled for a mid-'90 opening, Excalibur will feature 7 or 8 restaurants, seating for 3,000.
202 (144)	**Mrs. Winner's Chicken** Brentwood, Tenn. Fast food (chicken)	78.1*^{R} (124.7)	−37.4	169 (196)	−13.8	Sell-off of units, started in '87, will continue. Co. considering reducing size of stores. New roast chicken product geared toward health-conscious patrons.
203 (A)	**International King's Table Inc.** Eugene, Ore. Cafeterias	78.0 (90.0)	−13.3	87 (90)	−3.3	When first purchased by Horn & Hardart in early '88, an accelerated expansion program was put into gear. Co. plans to continue growth in target market. PC: Horn & Hardart Co.
204 (213)	**New Jersey Dept. of Corrections** Trenton, N.J. Institutions	77.8†** (73.9†**)	5.3	46 (45)	2.2	Agency continues expansion, adding a prison in '88 and plans another in '89. Continuing to implement computerized Food Management Information System (FMIS). Fy end 6/30/89.

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205 (197)	**Bill Knapp's Michigan Inc.** Battle Creek, Mich. Full service (dinner houses)	77.3* (78.5*)	−1.5	63 (67)	−6.0	Founded in 1948, privately held co. with restaurants near highways in Mich., Ohio, Ind., Ill. and Fla., sticks to its original home-style concept.
206 (186)	**Adventist Health System** Shawnee Mission, Kan. Health care	75.8†* (86.5†)	−12.4	161 (143)	12.6	Co. contracts with National Indep. Food Distributors Assoc., in 4 regions, but basic purchasing handled by individual units. Nutri-Group is Western region fs. mgmt. firm.
207 (80)	**Delaware North Cos. Inc.** Buffalo, N.Y. Contract management	75.4^{B} (246.8*)	−69.4	122^{B} (292)	−58.2	Beside Sportservice and Concession Air, this holding co. owns such fs. concerns as Letheby & Christopher, contract caterer for sports events, and Dairy Farm Aircraft Catering.
208 (212)	**Prime Motor Inns** Fairfield, N.J. Lodging	75.0** (74.0)	1.4	75 (70)	7.1	Prime and New World Development Co., Hong Kong, have purchased Ramada's hotel business for $540MM. Prime will become franchisor of both Ramada and Rodeway hotels.
209 New Member	**Daughters of Charity Health Systems** St. Louis, Mo. Health care	75.0†* (—)	—	32 (—)	—	Largest Catholic-sponsored hospital system negotiates purchasing contracts nationally; also consults on fs. productivity and some facilities design.
210 (A)	**Taco Bueno** Dallas, Texas Fast food (Mexican)	74.0* (59.7**)	24.0	120 (121)	−0.8	New Pres. Ted Papit, Jerrico alumnus, brought along top Long John Silver's mgmt. New efforts to restructure and reposition co. PC: Unigate Restaurants Inc.
211 (A)	**Prufrock Restaurants** Dallas, Texas Full service (dinner houses)	73.9 (56.0)	32.0	60 (50)	20.0	Under new president Angelo Pitillo, co. plans 9 new company-owned and 3 new franchised Black-eyed Pea restaurants in '89. PC: Unigate Restaurants Inc.
212 (233)	**Fairmont Hotels** San Francisco, Calif. Lodging	73.0 (65.0)	12.3	21 (21)	—	Construction begins Sept. '89 on new Washington, D.C., Fairmont, to open autumn '91. San Francisco Fairmont recently introduced "Belle Voce" Italian restaurant.
213 (222)	**New York State Office of Mental Health** Albany, N.Y. Institutions	72.8† (70.0†**)	4.0	32 (32)	—	Ongoing cook-chill adoption and systemwide computerization were '88 highlights. 2 more units scheduled to open in '89, as well as new menu item introductions. Fy end 3/31/89.
214 (216)	**National Heritage Corp.** Dallas, Texas Health care	71.4† (71.1†)	0.4	221 (231)	−4.3	Nursing-home chain sets nutrition policy regionally through 3 panels of mgrs. in Denver, Atlanta, and Shreveport, La. Just acquired 30-facility Retirement Corp. of Amer.
215 (237)	**TrettCo Inc.** Farmington Hills, Mich. Contract management	70.6† (63.4†)	11.4	95 (86)	10.5	Operator of HDS Services and Triplett Services is upscaling cafeteria and resident/guest-services operations. Opened Southeast regional office in Daytona Beach, Fla.
216 (A)	**Marriott Travel Plazas** Washington, D.C. Full service (family dining)	69.8* (A)	—	90* (A)	—	In '89, Marriott to build 21 restaurants at 8 travel plazas in Florida and remodel 9 others. Many branded names in concept; AUV up 14% in '88. PC: Marriott Corp.
217 New Member	**Health Trust Inc.** Nashville, Tenn. Health care	69.8†* (—)	—	104 (—)	—	New entry to "400" is ESOP spin-off of Hospital Corp. of America; small dietary staff charged with tightening, improving food in smaller for-profit hospitals.
218 (251)	**Houston's Restaurants** Atlanta, Ga. Full service (dinner houses)	69.6 (58.0**)	20.0	18 (16)	12.5	Co. opened its third Houston and third Atlanta Houston's in '88. Will open 2 more units this year: 1 in Phoenix and 1 in New Orleans. No major design changes planned.

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219 (226)	**Sonny's Real Pit Bar-B-Q Inc.** Gainesville, Fla. Full service (barbecue)	69.4* (68.5)	1.3	79 (75)	5.3	Gainesville, Fla.-based M Group Intl. acquired 4 co-owned stores & franchising co. 12/88. New Pres. Robert B. Malkani plans growth in existing markets, looking north, east, west.
220 (A)	**The Häagen-Dazs Shoppe Co.** Teaneck, N.J. Fast food (sweets)	69.0** (66.0)	4.5	315 (301)	4.7	New strategy stimulates sales through luxury soft ice cream and improved merchandising and service. Upgrading store decor. PC: Pillsbury Restaurant Group.
221 (105)	**Western Steer** Claremont, N.C. Full service (steakhouses)	68.9* (A)	—	202 (A)	—	Rolled out hot bar, including items for health-conscious diners. Completed sale of Country Store concept to Kelley & Partners for $6MM plus 80K shares of common stock.
222 (276)	**Valley Food Service Corp.** Jackson, Miss. Contract management	68.9† (51.0†)	35.1	110 (105)	4.8	Fs. mgmt. co. plans new correctional facilities division in '89. Identification of strengths and weaknesses resulted in new systemwide marketing program.
223 (A)	**Ramada Gaming Group** Phoenix, Ariz. Lodging	68.5 (A)	—	15* (A)	—	Co. will rename following sale of hotel group. $200MM expansion of TropWorld Casino in Atlantic City completed and new hotel/casino in Laughlin, Nev., opened in '88.
224 (223)	**C.A. Muer Corp** Detroit, Mich. Diverse restaurants (full service/ dinner houses)	68.0 (70.0)	−2.9	19 (14)	35.7	Decentralized restaurant management tranferring more responsibility to unit managers. Also opened 5 new seafood restaurants in '88, all on Florida's East Coast.
225 (265)	**Ohio Dept. of Mental Health** Columbus, Ohio Institutions	67.2†** (54.9†)	22.4	84 (80)	5.0	62% of business is purchasing food for Rehabilitation and Corrections Dept., other agencies include mental health/retardation facilities and youth services; fy end 6/30/89.
226 (244)	**Eat'N Park Restaurants Inc.** Pittsburgh, Pa. Full service (family dining)	67.0 (61.0)	9.8	49 (46)	6.5	24-hour family restaurant continues to develop in-store bakeries, enlarge and remodel existing sites. Customer count increased by 7% in '88. Opened 2 new units, plan 3 more in '89.
227 (A)	**Garcia's Mexican Restaurants** Scottsdale, Ariz. Full service (dinner houses)	67.0 (58.0)	15.5	44 (33)	33.3	Earnings fall blamed on interest rate and rising insurance costs. But Mexican fared better than 4 seafood operations: 3 of those closed. PC: Famous Restaurants Inc.
228 (272)	**Pizzeria Uno Restaurants** West Roxbury, Mass. Full service (pizza)	66.4 (52.3)	27.0	54 (41)	31.7	Ever-popular pizza: Customer counts were up 7% and AUV was up to $1.6MM in '88. Co. plans 20 new units for '89. Menu expansion continues; fajitas were new item in '88.
229 (231)	**The May Co.** St. Louis, Mo. Retail	66.0* (65.8*)	0.3	395* (394**)	0.3	Retail giant has no plans to expand number of cafeteria operations. In fact, it has been quietly de-emphasizing foodservice and might be planning to phase it out altogether.
230 (239)	**New York City Health and Hospitals Corp.** New York, N.Y. Health care	65.4†* (63.0†)	3.8	16 (16)	—	Serving more than 26,000 meals per day, agency bore brunt of NYC's AIDS epidemic, handling 35% of city's cases. 11 acute-care hospitals, 5 long-term facilities with 10K beds.
231 (170)	**Pioneer Take Out Corp.** Los Angeles, Calif. Fast food (chicken)	65.0 (98.2*)	−33.8	202 (252)	−19.8	Reorganized in '88. Launched "We do chicken better" TV campaign, comparing Pioneer chicken to KFC. New menu items, remodeled units planned to increase sales.
232 (A)	**Acapulco Mexican Restaurants** Long Beach, Calif. Full service (dinner houses)	64.0 (A)	—	41 (A)	—	LBO from Restaurant Associates 3/88: Slow growth will continue as co. pays down debt. Finished converting 8-unit Casa Vallarta chain into Acapulco restaurants in '88.

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Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
233 (263)	**The Levy Restaurants Inc.** Chicago, Ill. Diverse restaurants (full service/ dinner houses)	62.5 (55.0)	13.6	31 (30)	3.3	Opened Eurasia and Hopper's Dining Car. 2 new restaurants—Portobello Yacht Club and Fireworks Factory—debut in '89 at Walt Disney World; another opens in Chicago's zoo.
234 (269)	**Pancho's Mexican Buffet Inc.** Fort Worth, Texas Full service (family dining)	61.9 (54.0)	14.6	65 (56)	16.1	Expanding out of the "Oil Patch," where customer counts were down 2.5%. New markets include Denver; Little Rock, Ark.; Atlanta; northern Fla. Only 1 new store in Texas.
235 (262)	**Ohio Dept. of Rehabilitation & Correction** Columbus, Ohio Institutions	61.0† (55.7†)	9.5	23 (17)	35.3	Major player in this fast-growing segment. Four more prisons were added in '88 and 2 more are scheduled to open in '89. Dept. divided into North and South regions. Fy end 6/30/88.
236 (219)	**Associated Hosts Inc.** Beverly Hills, Calif. Diverse restaurants (full service/ dinner houses)	60.0** (70.2**)	−14.5	54 (60)	−10.0	Co. will convert many one- or two-unit concepts—Smuggler's Inns, Nelson's Landing, Julie's Place and Outrigger—into Bombay Bicycle Clubs in '89. PC: Industrial Equity Ltd.
237 (279)	**Sanese Services Inc.** Columbus, Ohio Contract management	60.0 (50.0)	20.0	2,000 (53^{E})	—	Vending makes up two-thirds of this foodservice contractor's business; those units counted in this yr.'s total. In '89, new Mansfield, Ohio, office will increase coverage.
238 (195)	**Restaurants Unlimited Specialty Rstnts.** Seattle, Wash. Diverse restaurants (full service/ dinner houses)	60.0 (A)	−25.0	20 (A)	—	Las Vegas unit closed in '88. Palomino, new "Euro-bistro" concept, plus 2 others to open this year. Company testing Zoopa, limited-service concept. PC: Restaurants Unlimited Inc.
239 (210)	**The Great American Chocolate Chip Cookie Co.** Atlanta, Ga. Fast food (sweets)	60.0* (75.0*)	−20.0	300** (375)	−20.0	Atlanta-based cookie co. with units scattered throughout U.S., reluctant to divulge information, but experiencing flat sales with rest of cookie industry. Fy end 6/89.
240 (300)	**Hard Rock Cafe America** Los Angeles, Calif. Full service (dinner houses)	60.0 (45.2)	32.7	7 (6)	16.7	Pres. Peter Morton says co. plans "abstract new concept" late '89. Co. opened unit in Sydney, Australia, March '89; will open in Las Vegas fall '89, and Melbourne, Australia, '90.
241 (383)	**Stuckey's Corp.** Marietta, Ga. Full service (family dining)	60.0^{B} (32.0)	87.5	127 (120)	5.8	Well, hello Stuckey's! Nice to have you back in "400." 53-year-old chain upgraded half its stores. Adding retail space through new glass-and-neon prototype. Breakfast 35% of sales.
242 (243)	**Veterans Canteen Service** Washington, D.C. Military	59.9† (62.2†)	−3.7	172 (172)	—	Established in-house food-training school. Planning to devise cycle menu centered on "healthful" items. Currently testing low-salt items and other "light" products.
243 (277)	**Dade County Schools, Foodservice Div.** Miami, Fla. Schools	58.1†* (50.9†**)	14.1	290 (288)	0.7	Fast-food impact reaches beyond menus: walk-up service windows, outdoor kiosks, upbeat packaging with school logos. Menus sent to homes help promote breakfast.
244 (A)	**Rusty Pelican Restaurants Inc.** San Diego, Calif. Full service (seafood)	58.0 (60.2)	−3.7	21 (21)	—	Close-to-the-vest company's only comment is that steady growth will be in the plans for '89. Fy end 11/89. Parent runs other seafood concepts. PC: Paragon Restaurant Group.
245 (266)	**Houston Independent School District** Houston, Texas Schools	57.4†* (54.6†**)	5.1	227 (225)	0.9	Lunches are served to nearly 60% of enrollment & breakfasts to more than 20%. (Texas is one state that mandates breakfast service.) Other meals served each day total 50,000.
246 (A)	**Bombay Bicycle Club** Beverly Hills, Calif. Full service (dinner houses)	56.8* (56.8*)	—	43* (43*)	—	In '89, casual-dining veteran plans 2 new restaurants with updated, brighter design. Co. sold to foreign investment firm late '88. PC: Industrial Equity Ltd.

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247 (274)	**McCrory Stores** York, Pa. Retail	56.5 (52.0**)	8.7	326 (327)	–0.3	Investing capital dollars in remodels and renovations of locations with big earning potential, mostly in major malls. 34 projects are on the boards in '89.
248 (A)	**Manor Health Care** Silver Spring, Md. Health care	56.0† (52.6†*)	6.5	139 (144*)	–3.5	18K-bed nursing-home chain operates via 5 divisional HQ. Unusual for nursing-home chain—some food-management contracts, primarily Wood Co. in Pa. PC: Manor Care Inc.
249 (287)	**Togo's Eatery** Campbell, Calif. Fast food (sandwiches)	55.5 (48.0)	15.6	120 (112)	7.1	Specialty sandwich co. continues to grow with AUV at $440K, up 10K over '87 average. Plans to increase ad budget $125K to $200K in '89 (mostly radio). PC: MTC Management Inc.
250 (246)	**David's Cookies** New York, N.Y. Fast food (sweets)	55.5* (60.0*)	–7.5	375* (400)	–6.2	Despite diversifying into ice cream and wholesale food products such as cookie dough a few years ago, experienced apparent revenue losses in '88 and closed units.
251 New Member	**Target Stores Inc.** Minneapolis, Minn. Retail	55.0* (—)	—	350 (—)	—	Lots of arrows in the quiver. Has committed to fs as part of customer-service program. Opening 60 stores in the Southeast, and plans foodservice, mostly snack bars, in all.
252 (235)	**K-Bob's Steak Houses Inc.** Dallas, Texas Full service (steakhouses)	54.6* (64.5)	–15.3	65 (85)	–23.5	"Oil Belt" co. closed or sold 16 unprofitable units in '89; this yr. will bring just 5 closings, 3 openings. Food costs 40% of sales, labor 23%, average check $6.50.
253 (270)	**U.S. Army Medical Department** Falls Church, Va. Military	54.6† (53.5†)	2.1	51 (51)	—	Expanding the introduction of new computer systems for foodservice management and nutritional analysis. Implementing low-sodium, other health initiatives.
254 (259)	**Bobby McGee's USA Inc.** Phoenix, Ariz. Full service (dinner houses)	53.0** (56.0**)	–5.4	20 (20)	—	First East Coast unit opened Jan. '89 in Charlotte, N.C., in an Embassy Suites hotel. Co. plans units in Fla., Va. and Australia. Opened first foreign unit in Australia.
255 (297)	**Pointe Resorts** Phoenix, Ariz. Lodging	53.0* (46.0)	15.2	11 (10)	10.0	In addition to the three existing Phoenix, Ariz., resorts, co. looks to add a new resort property in San Diego in '92. Tapatio Cliffs added golf course restaurant.
256 (A)	**Velvet Turtle** Newport Beach, Calif. Full service (dinner houses)	53.0* (A)	—	21 (A)	—	No new units in '88, none for '89. Co. is holding steady at 21 current units—all in the West (15 in Los Angeles, 5 in San Francisco, 1 in Phoenix). PC: American Restaurant Group Inc.
257 (290)	**The Boyd Group** Las Vegas, Nev. Lodging	52.8 (47.7)	10.7	27 (26)	3.8	Has plans to add a tower of 1,500 rooms to Stardust Hotel and Casino in Las Vegas; construction should be under way by mid-'89. Other properties targeted for expansion.
258 (282)	**AMTRAK** Washington, D.C. Transportation	52.5† (50.0†)	5.0	350 (44)	1.7	Nation's RR reports 10% rise in traffic last year, upgrading rail service, especially on Eastern corridor. Testing china and glassware for dining service on long hauls.
259 (283)	**Peter Piper Inc.** Phoenix, Ariz. Fast food (pizza)	52.4* (50.0)	4.8	[illegible] (09)	1.8	New Pres. Roger Blanton plans to take regional co. to national chain through steady, methodical growth. Entered lunch business and opened 9 stores in '88.
260 (299)	**Sirloin Stockade International** Hutchinson, Kan. Full service (steakhouses)	52.3 (45.2)	15.7	67 (66)	1.5	Co. improved menu board and marketing programs, will expand decor packages. Great American Steak Sale was best promo of yr., plan 4 major campaigns in '89. Fy end 6/30.

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261 (268)	**Sea Galley Stores Inc.** Mountlake Terrace, Wash. Full service (dinner houses)	52.0 (54.0)	−3.7	45 (50)	−10.0	Chain plans to concentrate on remodeling. Adding television ads to promotional arsenal. Campaigns will emphasize value orientation. No additional units planned for '89.
262 (280)	**Carousel Snack Bars Inc. of Minnesota** Minneapolis, Minn. Fast food (sandwiches)	52.0** (50.0**)	4.0	290 (330)	−12.1	Co. will convert 200-250 of various concepts into A&W Hot Dogs units (licensing agreement signed 2/89). In those already converted, sales increased an average 19%. Fy end 5/88.
263 (294)	**Schlotzsky's Inc.** Austin, Texas Fast food (sandwiches)	52.0 (46.4)	12.1	238 (214)	11.2	"Original Sandwich" maker plans to increase the number of company-owned stores, and says Texas is the ideal place to do it. Established national purchasing program in '88.
264 (296)	**Adam's Mark Hotels** St. Louis, Mo. Lodging	52.0* (46.0)	13.0	28 (28)	—	Food and labor costs make up 32% each of F&B sales at hotels. In 1988, put emphasis on training programs and more cost-effective equipment changes.
265 (284)	**Legal Sea Foods Inc.** Boston, Mass. Full service (dinner houses)	52.0 (49.7)	4.6	6 (6)	—	Co. will double units within 3 years. Will emphasize product quality in marketing by promoting in-house sanitation and emphasize the need for consumer protection.
266 (A)	**Charlie Brown's restaurants** New York, N.Y. Full service (dinner houses)	51.9 (A)	—	36 (A)	—	Concept includes 26 Charlie Brown's, 5 Office Restaurants. Co. plans 2 new Charlie Brown's this year, but will keep Office numbers flat in '89. PC: Restaurant Associates Corp.
267 New Member	**Showboat Inc.** Las Vegas, Nev. Lodging	51.9 (—)	—	20* (—)	—	New management boosted 4th-qtr. revenues to record levels at Atlantic City hotel/casino. Hopes to revitalize Las Vegas property by promoting bowling and sports facilities.
268 (261)	**Dept. of Public Welfare-Commonwealth of Pa.** Harrisburg, Pa. Institutions	51.8†** (56.0†**)	−7.5	35 (33)	6.1	Primary responsibilities include mental-health facilities, hospitals and youth-development centers. Implemented cook-chill facilities in 3 units in '88. Fy end 6/30/89.
269 (358)	**T.J. Cinnamon's Bakeries** Kansas City, Mo. Fast food (sweets)	51.0 (35.0)	45.7	229 (201)	13.9	Highly successful cinnamon bun chain sweetened pot in '88 with new stores. Growth to continue, with franchisee commitment to open 500 bakeries in next 3 years.
270 (295)	**K&W Cafeterias Inc.** Winston Salem, N.C. Cafeterias	50.2 (46.0**)	9.1	21 (20)	5.0	Customer counts up; average check is now $3.32. Co. opened two new units in '88, projects another opening for '89. Mid-Atlantic is chain's primary market.
271 (214)	**Universal Services Inc.** Seattle, Wash. Contract management	50.0 (73.5*)	−32.0	130 (211*)	−38.4	Business as usual for this fs.-support outfit servicing offshore oil rigs in Alaska, North Sea, Calif. and Gulf of Mexico. PC: International Catering Enterprises.
272 (301)	**Trader Vic's** San Francisco, Calif. Full service (dinner houses)	50.0 (45.1*)	10.9	20 (20)	—	Didier Peyron, new head of co., plans to simplify concept and make it less labor intensive. Streamlining decor to include "less junk" for cleaner, more authentic look.
273 (281)	**Dino's/Crusty's USA Inc.** Livonia, Mich. Fast food (pizza)	50.0* (50.0**)	—	205 (205)	—	Co. is converting all carryout and delivery units to Crusty's logo. Sit-down restaurants will still fly Dino's banner. Co. reports weekly store AUV of $7K for annual AUV of approx. $364K.
274 (203)	**Mariner Hotel Corp.** Dallas, Texas Lodging	50.0 (77.3)	−35.3	27* (104)	−74.0	Co. plans to expand by buying and repositioning undervalued properties in overbuilt markets. Development of limited-service hotels for the economy market a priority in '89.

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275 (437)	**Everything Yogurt Inc.** Staten Island, N.Y. Fast food (sweets)	50.0 (25.0)	100.0	200 (179)	11.7	"400" newcomer doubled sales since last year with addition of 21 units. Growth will continue with projected 40 new restaurants in '89. New 3K-sq.-ft. HQ coming.
276 New Member	**The Original Cookir Co.** Cleveland, Ohio Fast food (sweets)	50.0 (—)	—	248 (—)	—	Gourmet line in new sizes, end-of-day sell-off policy helped boost sales. 35 new stores in '88, plans for 25 more in '89, mostly in high foot-traffic shopping malls. PC: Medial S.A.
277 (A)	**Country Pride Restaurants** Cleveland, Ohio Full service (family dining)	50.0* (A)	—	37 (A)	—	3 new units caused slight increase in customer counts at 22-state chain. In '89, "All-U-Can-Eat Country Breakfast" promo, 2 openings, 2 closings. PC: Truckstops of America.
278 (255)	**American Medical International Inc.** Beverly Hills, Calif. Health care	49.3† (56.4†*)	−12.6	55 (90)	−38.9	Hectic year for hospital chain included ESOP spin-off of 36 hospitals, 4000 beds; future might include sale of other domestic and majority of 20 European hospitals.
279 (291)	**Maid-Rite Products Inc.** Des Moines, Iowa Fast food (hamburgers)	48.5 (47.0)	3.2	148 (131)	13.0	New prototype building with upscale '50s diner look (lots of black, white and red tile, juke box) is on its way for this burger chain. Switched to nationwide distributor.
280 (305)	**Huddle House Inc.** Decatur, Ga. Full service (family dining)	48.5 (44.7)	8.5	132 (130)	1.5	Breaking out of huddle with new signals: New high-visibility signage, extensive remodeling, total menu upgrade. 28 new units for '89, mostly Southeast. Fy end 4/30/89.
281 (308)	**School District of Philadelphia** Philadelphia, Pa. Schools	48.2†** (44.0†**)	9.5	262 (260)	0.8	Computers make news this year—accountability program expanded, pilot meal accounting systems begin in 4 units. New equipment for kitchens, cafeterias.
282 (253)	**Beefsteak Charlie's Inc.** New York, N.Y. Full service (steakhouses)	48.0 (57.0)	−15.8	42 (49)	−14.3	Cut out several mgmt. levels, reducing overhead. Co. fighting rising food costs with long-term buying agreements, deals with producers. PC: Bombay Palace Restaurants.
283 (236)	**Magic Pan** San Francisco, Calif. Full service (dinner houses)	47.0 (64.0)	−26.6	54 (58)	−6.9	In '88 bought 30-state licensing rights for the Soup Exchange. In '89, plan 15 Exchanges, 5 Magic Pans, 10 Frogg Lanes, 10 All American Soup & Salad restaurants.
284 (309)	**MCL Cafeterias** Indianapolis, Ind. Cafeterias	47.0 (44.0)	6.8	27 (27)	—	AUV $1.74MM. Average check $4.40. Customer counts increased 1.7% from '87 to '88. Plans are to open 1 unit in '89. No units opened in '88. Focus on carry-out, salad bars.
285 (288)	**Amfac Resorts Inc.** Flagstaff, Ariz. Lodging	46.8* (47.9*)	−2.3	24 (30*)	−20.0	Recently purchased by privately held JMB Realty Co. of Chicago. No expansion plans are under way, but some existing properties will undergo interior renovations.
286 (285)	**Hamburger Hamlet Inc.** Sherman Oaks, Calif. Full service (dinner houses)	46.0 (48.0**)	−4.2	22 (24)	−8.3	Co. purchased last year from founders Marilyn and Harry Lewis. In '89, co. plans 2 new company-owned units: 1 in Chicago, 1 in Calif. PC: Weatherly Private Capital.
287 (306)	**The Evangelical Lutheran Good Samaritan Society** Sioux Falls, S.D. Health care	45.8†* (44.5†)	2.9	201 (195)	3.1	Both nursing homes and retirement centers are operated by this church group. 3 facilities were acquired during the past year, and another 2 developments are under way.
288 (286)	**Red Onion Restaurants** Carson, Calif. Full service (Mexican)	45.0 (48.0)	−6.2	13 (13)	—	Expanding in Calif. with 3 new Red Onion Mexican Restaurants in '89. In '88, decentralized management and marketing to allow for differences in regional food available.

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289 **(398)**	**Vie de France Restaurant Corp.** McLean, Va. Full service (family dining)	45.0** (30.0)	50.0	58 (57)	1.8	Franchise agreements up and running in 38 states. In '88, co. improved profit margins for real sales growth. Joint venture with Calif. Pizza Kitchen slated for '89. Fy end 6/89.
290 **(292)**	**California Dept. of Developmental Services** Sacramento, Calif. Institutions	44.8† (47.0†)	−4.7	11 (11)	—	Operating foodservice for mentally ill and developmentally disabled, this agency is centralizing computer operations and implementing nutritional analyses in '89.
291 **(307)**	**Sands & Co. Inc.** Marietta, Ga. Contract management	44.4†* (44.4†*)	—	825* (825*)	—	Transition year as co. pulled out of less profitable areas, while landing big new accounts. Majority of sales are in vending, but co. also has B&I and health contracts.
292 **(289)**	**Sisters Chicken & Biscuits** Westlake, Ohio Fast food (chicken)	44.0 (47.9)	−8.1	58 (63)	−7.9	In first full year after management buyout of chicken chain from Wendy's, 5 stores closed. Announced Chapter 11 bankruptcy proceedings in early '89.
293 **(370)**	**Health Care & Retirement Corp.** Toledo, Ohio Health care	43.1† (33.6†**)	28.3	130 (127)	2.4	HCR operates 130 nursing homes with 16,000 beds, primarily in Ohio and nearby states. Central staff includes dietary consultant, F&B purchasing manager. PC: Owens-Illinois.
294 **(321)**	**Southern Foodservice Management Inc.** Birmingham, Ala. Contract management	43.0†** (40.0†**)	7.5	71 (80)	−11.2	Co. called '88 "Our most profitable year ever." Primarily a B&I feeder, SFM's '89 plans include 4 new units and added emphasis on merchandising/promotions.
295 **(316)**	**State of Hawaii School Foodservice** Honolulu, Hawaii Schools	42.6†* (42.0†**)	1.4	227 (226)	0.4	Big school program serves 136,000 lunches a day to enrollment of 168,000; breakfasts come to 19,000 per day. Special programs include summer feeding and meals for seniors.
296 **(338)**	**The Old Spaghetti Factory** Portland, Ore. Full service (Italian)	42.6 (37.9)	12.4	28 (26)	7.7	20-year old spaghetti concept saw cautious expansion in '88, plans 2 more in Japan for '89. But no change in limited menu of pasta dishes. AUV is $1.6MM, avg. check $6.
297 **(335)**	**New York State Office of Mental Retardation** Albany, N.Y. Institutions	42.0† (38.1†**)	10.2	17 (19)	−10.5	Successful closing of Development Centers places patients in community settings. This practice drops units but expands community programs, explaining 4MM rise in sales.
298 **(A)**	**Hot Sam Pretzels** Cleveland, Ohio Fast food (sweets)	42.0 (A)	—	300 (A)	—	First "400" for snack maker Co. opened 35 units in '88, closed 11; 15 more on drawing board in '89. Includes sister concept, Corn Dog on a Stick. AUV is $150K. PC: Midial S.A.
299 **(A)**	**Stouffer Specialty Restaurants** Pepper Pike, Ohio Full service (dinner houses)	42.0* (A)	—	22 (A)	—	Since merger with Borel in '87, co. has been updating most concepts, including 6 "Top" restaurants and 4 Parker's Lighthouses. Also includes Cheese Cellar, James Tavern.
300 **(347)**	**Olga's Kitchen Inc.** Troy, Mich. Full service (family dining)	41.7 (36.0)	15.8	51 (38)	34.2	Co. coming off menu change, working on phase 2 of prototype design; but big drive in '89 is a rededication to employee training. Olga's opened 15 in '88, will open 12 this yr.
301 **(211)**	**McFaddin Ventures** Houston, Texas Diverse restaurants (full service/ dinner houses)	41.1 (74.3*)	−44.7	34 (37)	−8.1	Restructured debt following resignation of chrmn. Lance McFaddin. Co. will go private in '89, seek outside partners for concepts such as Confetti's, Studebaker's, and Ocean Club.
302 **(333)**	**Horizon Hotels Ltd.** Boston, Mass. Lodging	41.1 (38.9)	5.7	32* (21)	52.4	Will open a 200-room hotel in Dunkirk, N.Y., this summer. Co. counts a pair of conference centers, 1 each on the West and East coasts, in its future expansion plans.

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303 New Member	**Jerry's Restaurants** Lexington, Ky. Full service (family dining)	40.5 (40.4)	0.2	54 (57)	−5.3	Remodeling and family-style service have improved sales picture for this regional full-service chain; but expansion is not part of that picture. AUV is $752K. PC: Jerrico Inc.
304 New Member	**Two Pesos Mexican Cafes** Houston, Texas Fast food (Mexican)	40.3 (—)	—	30 (—)	—	Unit managers putting in their 2 cents as company focuses on increasing unit-level profitability and enhancing guest experiences. 60% increase in traffic due to unit growth.
305 New Member	**Damon's Inc.** Hilton Head, S.C. Full service (barbecue)	40.1 (—)	—	33 (—)	—	Co. strengthening regional offices, closed 2 underachievers; Now expanding into new markets and enhancing training programs. Opened 7 new locations, plans 9 more.
306 (254)	**Rocky Rococo Corp.** Madison, Wis. Full service (pizza)	40.0 (57.0)	−29.8	80 (121)	−33.9	Regional pizza chain regroups after closing 30 outlets last year in Midwestern cities. Co. blames ambitious expansion plans, says it will build same-store sales in '89.
307 (199)	**Dayton Hudson Department Store Co.** Minneapolis, Minn. Retail	40.0* (78.0**)	−48.7	58 (339)	−82.9	Construction of several new stores with fs. operations planned for '89. 24 stores now have sit-down or takeout restaurants; major remodel will build fs. into rest.
308 (414)	**I Can't Believe It's Yogurt** Dallas, Texas Fast food (sweets)	40.0 (27.5**)	45.5	228 (130)	75.4	Co. showed strong growth in '88 with addition of 103 stores in 7 states, including Hawaii. Expansion expected to continue in '89. New corporate logo coming to stores.
309 (A)	**Diversified Hospitality Group** Milford, Conn. Full service (family dining)	40.0 (25.5)	56.9	160 (A)	—	Co. added 40-unit Toddle House chain to 125-unit Steak n' Egg Kitchens, will run as one concept. '88 saw menu expansion, systemwide refurbishment, training. Fy end 7/88.
310 (A)	**L&N Seafood Grill** Mobile, Ala. Full service (dinner houses)	40.0 (29.0)	37.9	20 (15)	33.3	Will continue to move into large metropolitan areas. Eight new units in '89. Broadening menu with emphasis on value. Customer counts increased 5% in '88. PC: Morrison Inc.
311 (303)	**Phillips Seafood Restaurants** Ocean City, Md. Full service (dinner houses)	39.8 (45.0)	−11.6	7 (7)	—	Bad weather hurt customer counts in '88. Higher food costs resulted in 3%-4% increase of most prices. Hopes to build warehouse for more efficient buying. Fy end 9/89.
312 (362)	**Hillsborough County School Board** Tampa, Fla. Schools	39.6†** (34.7†**)	14.1	146 (143)	2.1	Budget squeeze thanks to collision between union demands and school board nixing of price increases. Ahead: more site supervision, labor formula changes, price increases.
313 (317)	**U.S. Coast Guard** Washington, D.C. Military	39.2† (41.8†**)	−6.2	423 (506)	−16.4	Govt.'s base closings have damaged morale, sapped foodservice program. Despite fewer units, Guard suffers labor shortages; recruiting more entry-level cooks.
314 (248)	**Helmsley Hotels** New York, N.Y. Lodging	39.1* (—)	—	15* (—)	—	Much-ballyhooed tax-evasion litigation involving Harry and Leona Helmsley continues with a summer trial date. The couple entered plea of "not guilty" to charges.
315 (314)	**Arctic Circle Inc.** Salt Lake City, Utah Fast food (hamburgers)	39.0 (42.0)	−7.1	100 (105)	−4.8	Top execs. led by Pres. Gary Roberts bought chain from Quaker State 7/88. Remodeling program in process. AUV is $400K; stores net 10%-12% of sales. 5 units set for '89.
316 (351)	**Bobby Rubino's Place for Ribs** Fort Lauderdale, Fla. Full service (barbecue)	39.0 (35.0)	11.4	20 (19)	5.3	Barbecue dinner houses are 50% company-owned. Planning 2 units in Fox Chapel, Pa., and Patchogue, N.Y. Alcoholic beverages are 18%-20% of sales. '89 stresses advertising.

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Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
317 (A)	**Carlos Murphy's** San Diego, Calif. Full service (dinner houses)	39.0 (A)	—	19 (A)	—	Repositioned in '88 to streamline concept. Revamped broad menu in favor of focus on tortillas and other Mexican items, barbecue and burgers. PC: Paragon Restaurant Group
318 (340)	**Bresler's Ice Cream & Yogurt Shops** Des Plaines, Ill. Fast food (sweets)	38.0** (37.5)	1.3	340 (300)	13.3	Co.'s execs. decided to go independent from Oberweis Dairy Inc. on 3/1/89, now Bresler's Industries Inc. Offered gourmet frozen yogurt in '88, added 40 stores
319 (373)	**Jerry's Systems Inc.** Gaithersburg, Md. Fast food (sandwiches)	38.0** (33.0**)	15.2	68 (62)	9.7	Sub and pizza purveyor revised its menu strategy, eliminated low-volume items. Introduced pizza by the slice and plans a create-your-own coupon campaign. Fy end 3/31/89
320 (399)	**Penguin's Frozen Yogurt** Thousand Oaks, Calif. Fast food (sweets)	38.0 (30.0)	26.7	125 (142)	−12.0	Former parent co. The Hardin Group sold Penguin's stores to French firm. First expansion into East Coast markets planned for '89. 25 new units projected. PC: Bongrain S.A.
321 (343)	**Ruth's Chris Steak House Inc.** New Orleans, La. Full service (steakhouses)	38.0 (37.0)	2.7	23 (19)	21.1	Entering Hawaii, N.J., Vegas, N. Miami Beach markets, which have demographics to support $35 check avg. Saw customer count rise of 12%. Light lunch includes mixed grill
322 (348)	**Pietro's Corp.** Linnwood, Wash. Full service (pizza)	38.0 (36.0**)	5.6	80 (65)	23.1	Regional pizza maker bought from Campbell's Co. early '88 made its own purchase: 15 units from Pizza Haven. Half already converted; other half to come in '89. AUV is $550K
323 New Member	**Au Bon Pain** Boston, Mass. Full service (family dining)	38.0** (—)	—	50 (—)	—	Chain grown from 3 French bakery-cafes in Boston in 1978 breaks into "400." Innovative partnerships with mgrs. do well, but labor scarce in co.'s Northeastern market
324 New Member	**Ark Restaurants Corp.** New York, N.Y. Full service (dinner houses)	37.9 (—)	—	17 (—)	—	Ark runs a variety of upscale, primarily American cuisine concepts nationwide, featuring affiliations with major chefs and unique locations like Washington, D.C.'s Union Station
325 (368)	**North Carolina State Dept. of Corrections** Raleigh, N.C. Institutions	37.8†** (33.9†**)	11.5	89 (87)	2.3	2 new prisons were added in '88, and modified lowfat, low-sodium diets were introduced. Agency gets bulk purchasing discounts of 2%-3% avg. Fy end 6/30/89
326 (330)	**Sonesta International Hotels Corp.** Boston, Mass. Lodging	37.6 (39.0)	−3.6	28 (26B)	7.7	Targeting Caribbean for future chain growth. New property in Aruba opens in fall or winter of '89. Co. is also looking at possible development of property in Curacao
327 (313)	**Lackmann Food Service** Woodbury, N.Y. Contract management	37.3 (42.8†)	−12.9	45 (40)	12.5	No major news to report in '88 for this foodservice mgmt. co., but '89 will see aggressive sales aided by ad budget of $120K, a 100% increase over '88 budget. Fy end 6/89
328 (328)	**U.S. Marine Corps Morale & Recreation Support** Quantico, Va. Military	37.1†* (39.0†)	−4.9	156 (163)	−4.3	Cuts in appropriations resulted in centralization of exchange, recreation, clubs, etc., under one umbrella. Consolidation of accounting, MIS, etc. continues in '89
329 (354)	**Casa Olé Restaurants & Cantinas** Houston, Texas Full service (dinner houses)	37.0 (35.0)	5.7	35 (34)	2.9	A year of no openings and no closings; just strengthening management at the store level where it counts. Co. will begin aggressive franchising, plans 3 locations in '89.
330 (A)	**Unicare Health Facilities Inc.** Milwaukee, Wis. Health care	36.4† (A)	—	143 (A)	—	Working to turn nursing-home kitchens into profit centers; 20K extra meals a week from Meals on Wheels contracts. One home's food mgr. produces sandwiches for vending firm.

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Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
331 (346)	**Taco Tico Inc.** Wichita, Kan. Fast food (Mexican)	36.0 (36.0)	—	115 (113)	1.8	Bought from Dan and Robin Foley by George Baker (formerly of KFC, Mr. Gatti's). Moving HQ from Wichita to Dallas. Will keep 2:1 ratio of company-owned to franchised units.
332 (A)	**Perko's Coffee Kup** Fresno, Calif. Full service (family dining)	36.0 (A)	—	44 (A)	—	With sister concept Happy Steak, co. acquired late '88 in LBO by two former executives and founder's son. New stress on franchising in '89; 4 units company-owned. PC: Brooks Cos.
333 (A)	**Texas Dept. of Mental Health & Mental Retardation** Austin, Texas Institutions	35.6† (28.3†**)	25.8	27 (27)	—	Challenging year for dept., particularly in menu mgmt. Factors affecting decisions include new ACDD standards, decentralized purchasing and drought. Fy end 8/31/88.
334 (345)	**Leiserv Inc.** Skokie, Ill. Fast food (sandwiches)	35.1 (36.6)	−4.1	115 (130)	−11.5	Fast-food vendor added Subsational sandwich concept to 7 units in '88, will keep on adding. AUV is $305MM; alcohol is $20MM of that. PC: Harcourt Brace Jovanovich.
335 (379)	**Arthur Treacher's Inc.** Youngstown, Ohio Fast food (seafood)	35.0** (32.0)	9.4	94 (106)	−11.3	Increased marketing support and product line extensions led to 6%-10% jump in customer counts in '88. Returning to strong multiunit franchising, entering food courts.
336 (369)	**Dallas Independent School District** Dallas, Texas Schools	35.0†** (33.6†**)	4.2	184 (184)	—	Nutrition awareness programs include change of dept. name to Food & Child Nutrition. In '89, automation of programs will be the headliner. 63.8% meals free; 29.8% full price.
337 (337)	**Elmer's Pancake & Steak House Inc.** Portland, Ore. Full service (family dining)	35.0** (38.0)	−7.9	29 (31)	−6.5	Big news: co.'s ongoing buy-back, refurbishing of franchises. Big pitch: for breakfast business. Big heart: more charity-driven promos. AUV: $3MM. Fy end 4/88.
338 (375)	**Happy Chef Restaurants** Mankato, Minn. Full service (hamburgers)	35.0 (32.5)	7.7	56 (52)	7.7	Co. building unit management with new hiring, training programs. 1 to 3 units scheduled to open this year. Aim is for "flexible" menu. Fy end 5/30.
339 (A)	**Grand American Fare Inc.** Santa Monica, Calif. Diverse restaurants (full service/dinner houses)	35.0 (26.0)	34.6	35 (31)	12.9	This Southern Calif.-based chain of theme restaurants, omelet parlors and saloons saw customer counts up 2%. 2 more units, systems revisions, more advertising planned for '89.
340 (357)	**The Original Seafood Shanty Inc.** Bensalem, Pa. Full service (dinner houses)	35.0 (35.0)	—	13 (14)	−7.1	Considering attractive takeout-only units in shopping center strip locations. Redirecting marketing away from television and toward public service. Fy end 10/1/89.
341 (312)	**Pennsylvania Dept. of Corrections** Camp Hill, Pa. Institutions	35.0† (42.8†)	−18.2	14 (14)	—	More satellite feeding in the offing for this penal operator. Agency received $3.5MM in government-donated commodities, saw $100K in garden projects. Fy end 6/30/89.
342 New Member	**Nathan's Famous Inc.** New York, N.Y. Fast food (sandwiches)	35.0 (—)	—	38 (—)	—	Investor group bought majority interest in 73-year-old hot dog chain 3/89. New CEO Robert Sherman headed Prudential-Bache's retail securities division. Fy end 3/89.
343 New Member	**Fair Lanes Inc.** Baltimore, Md. Retail	34.9 (—)	—	110 (—)	—	Snack bars and bowling alley units did $26MM; 9 family-style English Restaurants took in remainder. 2 new stores under construction in Baltimore, Atlanta; 3 planned.
344 (342)	**Valentino's** Lincoln, Neb. Full service (pizza)	34.0 (37.0)	−8.1	40 (36)	11.1	Takeout 45% of business now, but big hopes for daily dine-in italian buffet of pasta and 6 different sauces. Co. saw 8 new stores in '88, hopes to open 12-15 in '89. Avg. check $5.

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345 (355)	**Shari's Family Restaurants** Portland, Ore. Full service (family dining)	34.0** (35.0**)	−2.9	38 (37)	2.7	Pres. Larry Hatfield led LBO of co. from StratAmerica Inc. 4/89. Chain continues steady growth: 4 new units added in '88, 5 planned for '89. AUV is $1MM. Fy end 3/89.
346 (275)	**Palm Restaurants** New York, N.Y. Diverse restaurants (full service/dinner houses)	34.0 (51.2)	−33.6	11 (11)	—	Co. plans a Palm in Philadelphia this year—first new unit since '86. Plans to open units in Canada, Western Europe and the Orient over next 5 to 10 years. PC: Palm Mgmt. Co.
347 (A)	**Dalts** Dallas, Texas Full service (dinner houses)	33.9 (29.0)	16.9	15 (15)	—	In last quarter '88, co. reported 5.7% improvement in same-store sales. New menu and new labor-efficient kitchen are hopes for keeping concept viable. PC: Carlson Cos.
348 (365)	**Spire's Restaurants** Orange, Calif. Full service (dinner houses)	33.8* (34.0)	−0.6	21 (26)	−19.2	Aspiring to strengthen operations, focus on service, dinner-house chain with units in Northern Orange County (1 in Escondido) cuts slow stores, puts San Diego expansion on hold.
349 (325)	**Noble Roman's Inc.** Bloomington, Ind. Full service (pizza)	33.7* (39.3)	−14.2	89 (100)	−11.0	Co. expects to open at least 10 units in '89, mostly in Midwest. Looking for menu additions like last year's packaged salads. Recent promo: party-size pizzas.
350 (388)	**Texas Dept. of Corrections** Huntsville, Texas Institutions	33.7† (30.8†)	9.4	50 (38)	31.6	Explosive growth for this system—12 units added since '87, with 19 more on the way. Trying to use govt. commodities, local farm products where possible. Fy end 8/31/88.
351 New Member	**Detroit Public Schools** Detroit, Mich. Schools	33.6†** (27.2†**)	23.5	270 (272)	−0.7	New fs. director, new menus stress fresh fruits and juices, low salt and sugar, such popular items as pizza, tacos, deli sandwiches, chicken nuggets, hamburgers and chili.
352 (302)	**Jack's Food Systems Inc.** Birmingham, Ala. Fast food (hamburgers)	32.5 (45.0)	−27.8	65 (90)	−27.8	Co. reports the Southeast is saturated market for burgers. Shrunk the system by about 25 units: Half closed, half sold to other chains. Opening 4-5 units in '89—carefully.
353 (380)	**Corporate Food Services Inc.** New York, N.Y. Contract management	32.5* (32.0)	1.6	44* (44)	—	Flat sales last yr. for laconic B&I specialist. Co. offers both cafeteria-style and vending service, with catering both on and off premises; Co. offers home-delivery menu, too!
354 (363)	**Atlas Hotels Inc.** San Diego, Calif. Lodging	32.5** (34.2*)	−5.0	22* (22)	—	As San Diego's hotel market booms, co. is adding an 800-room tower and a 100K-sq.-ft. exhibition hall to its Town & Country Hotel. Other area properties also will be expanded.
355 (381)	**Sandwich Chef Inc.** Birmingham, Ala. Fast food (sandwiches)	32.5 (32.0)	1.6	172 (179)	−3.9	Sandwich vendor increases sales and returns to profitability in '88 after closing under-performing units. Will build up R.C. Cooper concept in '89. Fy end 7/88.
356 (384)	**CVI Service Group Inc.** Plainfield, N.J. Contract management	32.4† (31.2†)	3.8	54 (52)	3.8	Co. opened new regional office in Atlanta to help build Southern market. Also expanding into Fla., Texas, and Va. Southern territory does $6MM in sales now. Fy end 8/88.
357 (A)	**Rusty Scupper** Pepper Pike, Ohio Full service (dinner houses)	32.4* (33.3*)	−2.7	18 (19)	−5.3	Parent acquired the seafood chain in '87 and just completed refurbishment of all units. New central training center at HQ in Solon, Ohio. PC: Stouffer Restaurant Group.
358 (356)	**Skyline Chili Inc.** Cincinnati, Ohio Full service (family dining)	32.0 (35.0**)	−8.6	83 (70)	18.6	Flying high with Cincinnati-style chili: Skyline, founded in '49, opened 13 new units in '88, plans 10 more in '89. Entered Washington, D.C., market with 2 stores. Fy end 10/88.

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359 New Member	**King's Family Restaurants** McKeesport, Pa Full service (family dining)	32.0 (—)	—	21 (—)	—	Restructuring has company buying out minority shareholders. With customer counts up 6%, and hamburgers and fish the top sellers, KFR anticipates opening 3 units in '89.
360 New Member	**O'Charley's Inc.** Nashville, Tenn Full service (dinner houses)	32.0 (—)	—	20 (—)	—	Louisville, Ky., Memphis, Tenn., and St. Louis, Mo., being looked at as future sites for casual chain. $2MM AUV, streamlined menu and new pricing will co. grow.
361 New Member	**The Hilltop Steakhouse** Saugus, Mass Full service (steakhouses)	31.5 (—)	—	2 (—)	—	Nation's largest independent opened first satellite in Saugus, Mass. Two more planned with 600-700 seats. All new restaurants will sell custom meat from butcher shop.
362 (366)	**LaRosa's Inc.** Cincinnati, Ohio Full service (pizza)	31.2* (34.0)	−8.2	43 (45)	−4.4	Chain's home market is Ohio-Ky. area; 6 company-owned stores. Apparent slide in sales and units despite last yr.'s effort to revamp menu and focus on biggest seller—pizza.
363 (376)	**U.S. Naval Medical Command** Washington, D.C. Military	31.0† (32.5†)	−4.6	31 (31)	—	Recently implemented a-la-carte feeding in hospital dining facilities. Planning to increase number of facilities receiving foodservice automated information system.
364 (391)	**Knott's Berry Farm** Buena Park, Calif Recreation	31.0* (30.1*)	3.0	55* (55)	—	Memorial Day '89, park unveiled new $3MM expansion with 3 major attractions. '88's $10MM Wild Water Wilderness helped boost attendance, currently at about 5MM annually.
365 New Member	**Le Peep Restaurants Inc.** Denver, Colo. Full service (family dining)	31.0** (21.4**)	44.9	70 (22)	218.2	Les execs: New CEO Mitchell Rhoads (from Burger King) and V.P. James Edlund (from Pizza Hut) plan 5 new '89 units for 17-state chain (30 company-owned, 40 franchised).
366 New Member	**Fairfax County Public Schools, Foodservice Div.** Springfield, Va. Schools	30.2†** (25.2†**)	19.8	228 (197)	15.7	Year ahead to see more high-school breakfasts, manager bonus system. Changes include more centralization to reduce costs, higher menu prices, packaged salads vs. salad bars.
367 (A)	**S&S Cafeterias** Macon, Ga Cafeterias	30.0 (A)	—	19 (A)	—	Co.'s 19 cafeterias located in Southeast. Biggest aim in '89 is expansion of the takeout concept. New cafeteria opened in Columbia, S.C., in '88. PC: Smith and Sons Foods Inc.
368 New Member	**In-N-Out Burgers** Baldwin Park, Calif Fast food (hamburgers)	30.0* (—)	—	50 (—)	—	Sources say volumes top $1.5MM in certain West Coast sites. Co. says nothing except that it opened six units last year and will open 6 this year. All stores company-owned.
369 (324)	**Straw Hat Pizza** Dublin, Calif Fast food (pizza)	30.0 (39.8*)	−24.6	82 (80)	2.5	Co-op will add 6 members in '89. Signed new purchasing agreement, testing Italian buffets in Calif., Cajun chicken and shrimp pizzas elsewhere. PC: Straw Hat Cooperative Corp.
370 New Member	**T.K. Tripps Inc.** Greensboro, N.C. Full service (dinner houses)	30.0* (—)	—	21 (—)	—	Another booming Southeastern midscale concept. Co. will try for 20% growth via middle-management training, new menu items and addition of 5 more units in '89.
371 (392)	**The C&C Organization** Rancho Cucamonga, Calif. Full service (dinner houses)	29.4 (30.0)	−2.0	24 (24)	—	In '89, will rebuild 1 Cask and Cleaver and remodel 1, build 1 El Gato Gordo and remodel 1. Focused on reducing general and administrative costs in '88. Fy end 9/89.
372 (387)	**Michigan State University** East Lansing, Mich. Schools	29.4†** (30.8†**)	−4.5	35 (43)	−18.6	Big Kellogg conference-ctr./guest-house renovation scheduled for '89. Foodservice promotion will stress nutrition, build business from school's academic and administrative staffs.

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373 (364)	**Spencecliff Corp.** Honolulu, Hawaii Lodging	29.0** (34.0**)	−14.7	14 (24)	−41.7	Co. continues to trim operations but holds high-volume units, including seafood, Mexican concepts and coffee shops. Reports AUV is $1.8MM. PC: Nittaku Investment Inc.
374 (395)	**Brigham's Inc.** Arlington, Mass. Full service (family dining)	29.0 (30.0)	−3.3	66 (72)	−8.3	Ice cream vendor is 75 years old this year. Will continue remodeling drive begun in '86. In '88, closed 10 marginal units, tested specialty sandwiches. Fy end 4/30/89.
375 New Member	**Happy Joe's Pizza & Ice Cream Parlor Inc.** Bettendorf, Iowa Fast food (pizza)	28.6 (30.0**)	−4.7	82 (85)	−3.5	Last year's No. 400 moves up. Streamlined distribution, relocated 2 units in '88, will open 7 in '89. Customer counts up 3% last year. AUV is $363K, avg. check $4.50.
376 New Member	**Numero Uno Pizza Pasta & More** Panorama City, Calif. Full service (Italian)	28.5* (—)	—	58 (—)	—	Full-service Italian dinner house growing slowly: Opened 6 in '88 but shut 4. Big promo was "Bite for Two" meal deal. Will aim for systemwide delivery network in coming year.
377 New Member	**U.S. Air Force Medical Service** Andrews AFB, Md. Military	28.0†** (26.6†)	5.3	61 (82)	−25.6	Changes within operations vary for each of the 61 locations, but all emphasize low-calorie and "healthy-heart" choices. 52% of meals go to patients, 48% to cafeterias.
378 New Member	**PePe's Inc.** Chicago, Ill. Fast food (Mexican)	28.0 (26.0)	7.7	65 (64)	1.6	A holding action at this regional chain: 2 stores opened in '88, 2 closed. Biggest promotion centers on Cinco de Mayo; co. is testing soups. AUV is $425K.
379 New Member	**Church St. Station** Orlando, Fla. Diverse restaurants (full service/family dining)	28.0 (14.3)	95.8	5 (—)	—	Theme-dining chain runs two attractions in Orlando, one of country's most popular tourist destinations: Church St. and Rosie O'Grady's. Opened 90K-sq.-ft. retail space in '88.
380 New Member	**Mountain Mike's Pizza Inc.** Santa Clara, Calif. Fast food (pizza)	28.0 (—)	—	65 (—)	—	Another fast-growing pizza chain, opened 12 units in '88 and will open another 12 in '89, all thru franchising. Continuing corporate focus on advertising, done in-house.
381 New Member	**Royal Fork Buffet Restaurants** Boise, Idaho Full service (family dining)	28.0 (—)	—	16 (—)	—	Chain has 10 company-owned, 6 franchised units in the U.S. and Canada. AUV is a solid $1.7MM; co. opened 3 new units in '88 and plans 5 this year. No major changes in menu.
382 New Member	**Blake's Lotaburger Inc.** Albuquerque, N.M. Fast food (hamburgers)	28.0 (—)	—	73 (—)	—	Southwest-based and all company-owned, burger chain opened 3 units in '88 and will open 5 more in '89. Also will add breakfast in '89. All advertising via outdoor billboards.
383 New Member	**Flik International Corp.** Mamaroneck, N.Y. Contract management	28.0 (—)	—	65 (—)	—	This contract feeder opened 10 units in '88 and now sports 57 of 65 units in the B&I sector. '89 improvements aimed at fine-dining portion of that market.
384 New Member	**Broward County School Board, Foodservice Div.** Fort Lauderdale, Fla.	28.0†** (—)	—	160 (—)	—	Has established districtwide marketing plan, introduced choices in elementary schools. In year ahead, will lower fat, salt and sugar content in menu selections.
385 New Member	**The New York Restaurant Group** New York, N.Y. Diverse restaurants (full service/dinner houses)	27.5 (—)	—	4 (—)	—	Co. president Alan Stillman plans a restaurant a year for the next 10 years. In '89, La Cite opens in Manhattan. Next year, possibly a new Smith & Wollensky's.
386 New Member	**Ralph & Kacoo's** Baton Rouge, La. Full service (dinner houses)	27.2 (21.9)	24.2	6 (5R)	20.0	Popular 6-unit chain bought for $33MM in '86; popular owners Ralph and Kacoo Olinde retained as consultants. '89 focus is on management training. PC: Piccadilly Cafeterias.

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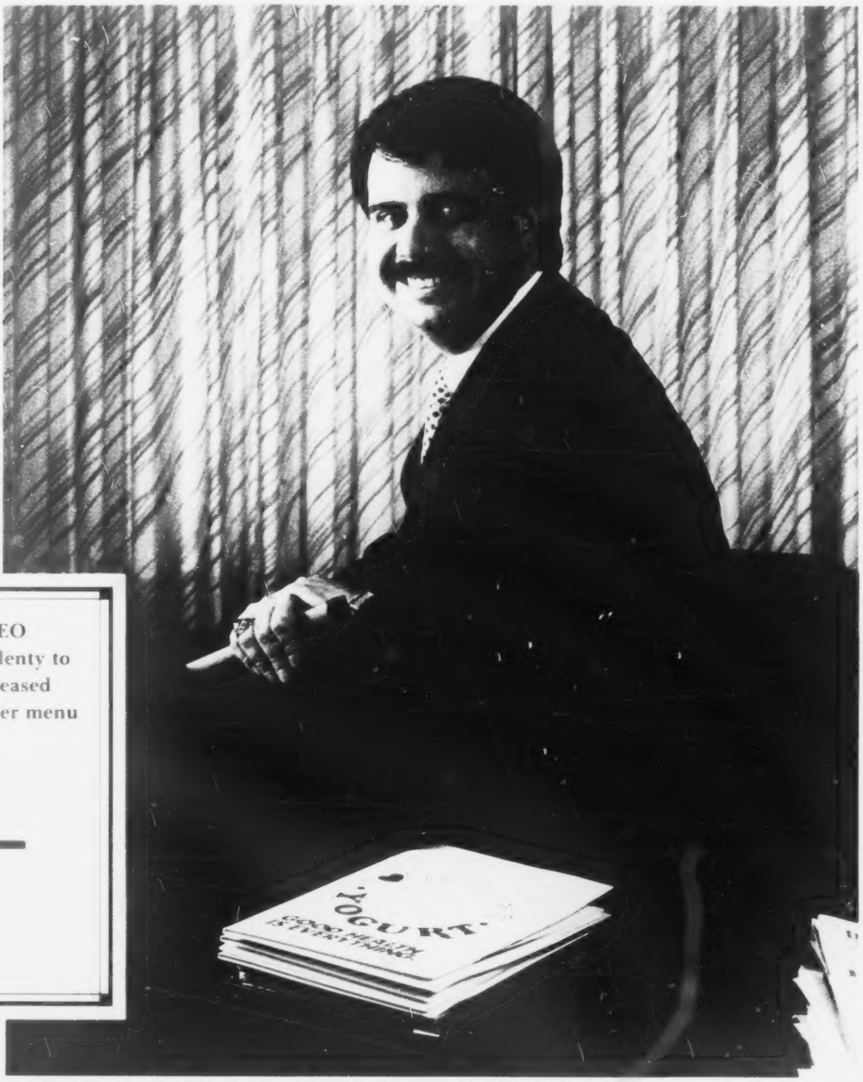
387 New Member	**Tavern on the Green** New York, N.Y. Full service (dinner house)	27.2 (—)	—	1 (—)	—	Underwent a major $2MM rennovation in '88, including new lounge and bar, extensive landscaping and expansion of the restaurant's retail store operations.
388 (A)	**The Happy Steak Inc.** Fresno, Calif. Full service (steakhouses)	27.0 (A)	—	35 (A)	—	Renewed commitment to franchising program. Menu, testing and promos concentrating on country-style food and low-calorie dishes. Plan small decor changes. PC: Brooks Cos.
389 New Member	**Hooters Restaurants** Atlanta, Ga. Full service (dinner houses)	27.0 (—)	—	15 (—)	—	Limited-menu concept serves chicken wings and other grazing foods. Co. will expand in Southeast, possibly West. 9 more units in '89. PC: Neighborhood Restaurants of America.
390 New Member	**The Newport Creamery Inc.** Middletown, R.I. Full service (family dining)	27.0 (—)	—	39 (—)	—	This New England-based ice cream parlor/burger chain is eyeing new menus and system-wide computerization to pace moderate growth patterns. Will open 2-4 more units in '89.
391 New Member	**Schwartz Bros. Restaurants** Bellevue, Wash. Diverse restaurants (full service/family dining)	27.0 (—)	—	19 (—)	—	Seattle-based chain of upscale dinner houses expanded in local area in '88 while introducing "cutting edge" Italian and crab house concepts. 4 more units planned for '89.
392 (A)	**J.B. Winberie's** Pepper Pike, Ohio Full service (dinner houses)	27.0 (19.2*)	40.6	30 (24)	25.0	4 new stores opened in '88—in N.J., Chicago and Atlanta—and another planned this year. Division includes Parker's Seafood Grille. PC: Stouffer Restaurant Co.
393 New Member	**Carter Hawley Hale Stores** Los Angeles, Calif. Retail (department stores)	26.0 (24.0)	8.3	68 (68)	—	Business healthy after break with Neiman-Marcus. Sales stronger than '87, particularly in Calif., due to better unit mgmt.: Mgrs. now recruited from chain restaurant vets.
394 New Member	**Sub Station II** Sumter, S.C. Fast food (sandwiches)	26.0 (22.0)	18.2	130 (128)	1.6	Sub sandwich chain is a newcomer to the "400." Plans heavy expansion on West Coast. Restructured management in '88. Co. reports AUV of 206K with food cost at 38%. Fy end 8/88.
395 New Member	**Burgerville USA** Vancouver, Wash. Fast food (hamburgers)	25.9** (—)	—	29 (—)	—	Biggest recent news for this power in the Wash.-Ore. market is its large-scale remodeling program featuring a cleaner '90s look (blue, white, neon). Fy end 5/31.
396 New Member	**Jerry's Caterers Inc.** West Palm Beach, Fla. Contract management	25.8 (—)	—	18 (—)	—	Florida-based inflight catering firm opened a pair of units and closed 1 unit during '88. All 18 units are company owned with no plans for further expansion at press time.
397 New Member	**Weathervane Seafood Restaurants** Kittery, Me. Fast food (seafood)	25.6 (—)	—	14 (—)	—	'88 had the right mix for 20-year-old New England chain: moderate growth, strong regional economy, a booming product (seafood) and aggressive marketing. Future looks solid.
398 New Member	**Tennessee Dept. of Corrections** Nashville, Tenn. Institutions	25.3†** (29.4†*)	−13.9	21 (32)	−34.4	2 more correctional facilities are expected to come on-line in '89, adding approximately 1,200 more beds to the system. Making up 21 units are 20 prisons and 1 school. Fy end 6/30/89.
399 New Member	**4B'S Restaurants Inc.** Missoula, Mont. Diverse restaurants (full service/dinner houses)	25.2 (29.0)	−13.1	30 (30)	—	4B's is for being in 4 Northwest states with 4B's coffee shops and steakhouses, 1 supper club, 1 cafeteria. '89 strategies: cut weak unit, launch TV ads, remodel, redo menu.
400 (A)	**Cinnabon's World Famous Cinnamon Rolls** Seattle, Wash. Fast food (sweets)	25.0 (35.0*)	−28.6	100 (65)	53.8	Bun baker opened 20 units in '88. Co. plans for 35 franchises and 15-20 company-owned stores in '89, but sees no menu changes. PC: Restaurants Unlimited.

*R&I estimate **company est. †commercial equiv. (A) no comparison with '88 data possible (B) adjusted method in reporting figures (C) franchisee sales est. (R) revised

400: GROWTH LEADERS



Everything Yogurt's CEO Richard Nicotra has plenty to smile about: Sales increased 100% in 1988. A broader menu keeps the AUV high.

MARKET PENETRATION BRINGS BIG SALES GAINS

Everything Yogurt finds differentiation is the key to piquing the interest of customers and potential franchisees.

In an ever-tightening frozen-yogurt market, Everything Yogurt Inc., Staten Island, N.Y., achieved a 100% increase in sales in a one-year period. Richard Nicotra, CEO of the chain, cites a variety of reasons for the company's jump from $20 million in sales in '87 to $40 million in '88, but marketing the concept as more than just a frozen-yogurt shop is the reason held most accountable.

"We have a wider menu selection than the average frozen-yogurt chain," says Nicotra, "so we're appealing to customers looking for an entire, healthy meal, not just a yogurt snack." The chain sells made-from-scratch deli salads and sandwiches, including chicken and tuna ($3.75), fresh produce salads, pasta salads ($1.50 to $3.00) and quiche ($3.50), in addition to 18 flavors of low-fat yogurt and four nonfat flavors. Prices for yogurt sundaes range from $1.69 for a small to $2.75 for a large, and there is no extra charge for toppings. Check averages are $2.25 in mall units, $3.75 in downtown business-district locations, where the lunch-hour trade is heavy. Prices have not been raised in three years.

Offering a broader menu has kept the 13-year-old chain (the oldest frozen-yogurt concept in the United States, according to Nicotra) afloat through some difficult market fluctuations. When Nicotra started Everything Yogurt with partner and president Stephen Beninati in 1976, "the demand for frozen yogurt was unbelievably strong." But in 1980, demand declined, forcing smaller yogurt-only concepts to the wayside.

"The market is picking up the momentum it once had," says Nicotra. "But there is going to be another shakeout in the next two years." He adds that the market cannot support a frozen-yogurt concept on every street corner and that, unless a chain can distinguish itself from the competition, it will have a tough time surviving.

Weathering the early 1980s market drop can be attributed in part to the development of the chain's tandem concept, Everything Yogurt Bananas, developed in 1983. When a fruit-juice kiosk went out of business across from one of the yogurt chain's mall units, Nicotra and Beninati took it over. They renamed the kiosk Bananas and began selling fresh blended fruit shakes and fruit juices. Sales took off.

Today, Bananas shares mall space with Everything Yogurt, and although the two present completely different storefronts to the mall, they share one staff, one manager, one back room and one set of overhead and equipment costs. Sales are kept separate, however, and Bananas increases total unit sales by an average of 30%.

Proof of successful marketing can be seen in the chain's average unit volume. From 1984 to 1988, the chain's average unit volume has increased from $300,000 to $380,000, and the projection for 1989 is $400,000. For the past few years, tandem units in malls (90% of total units) have been the No. 1 or No. 2 dollar producers per square foot.

The healthy average unit volume has made the chain an attractive target to franchisees. Of the company's 225 units, more than 90% are franchised. Everything Yogurt does not sell area franchise agreements—Nicotra explains that the company does not want to force a good franchisee to open another shop against his will and, by the same token, does not wish to be forced into letting an unprepared franchisee open additional units.

The one-franchisee, one-unit-at-a-time policy has worked well for Everything Yogurt. "In 13 years, we've never been taken to court by a franchisee," says Nicotra. "I don't know how many chains can make that claim."

Although the majority of the units are located in malls, three strip-center location contracts have been signed for 1989. "We've shied away from strip centers in the past," says Nicotra. "You don't get the exclusivity you'd have in a mall or office building— anyone can open up across the street." However, Nicotra explains that strip centers are being built at a faster rate than new malls and that the strip centers Everything Yogurt has chosen have a major draw, like a large movie complex or major department store.

Forty new units are slated for 1989, and Nicotra and Beninati are negotiating international contracts in England, France, Italy and the Orient for 1990.

—Beth Gotschall

EVERYTHING YOGURT INC.

Headquarters: Staten Island, N.Y.

Established: 1976

Projected '89 Sales: $50MM

Projected '89 Units: 310

Franchise Fees:

$30,000
Everything Yogurt/Bananas
Tandem

$25,000: Everything Yogurt

$15,000: Bananas

Total Initial Franchise Investment: $200,000

AUV: $400,000

400: GROWTH LEADERS

TOP-20 GROWTH COMPANIES: BY PERCENTAGE OF SALES GAIN

Who wouldn't like to catch this Subway? The sandwich-shop chain more than doubled its sales in the past year. This phenomenal growth comes on top of a 94% sales jump the year prior. Two other companies were repeat growth leaders: TCBY and Chili's. Several newcomers to the "400" also posted impressive sales gains, including Everything Yogurt (100%), I Can't Believe It's Yogurt (45%), Le Peep Restaurants (45%).

Company	% sales growth	% unit growth	Segment
Subway	120.6%	59.1%	Franchisor
Everything Yogurt	94.7	92.9	Franchisor
Village Inn Pancake Houses	90.9	28.6	Lodging
Doubletree Hotels	87.5	5.8	Franchisor
Stuckey's Corp.	73.3	42.9	Franchisor
TCBY	64.3	−17.8	Lodging
The Registry Hotel Corp.	50.0	1.8	Diverse restaurants
Vie de France Bakery & Cafe	48.0	24.0	Contract management
Trusthouse Forte Food Services	45.7	13.9	Franchisor
T.J. Cinnamon's Bakeries	45.4	21.6	Franchisor
Tastee Freez	39.7	7.4	Franchisor
Carl's Jr.	38.3	25.3	Franchisor
Chili's Inc.	37.9	33.3	Full service
L&N Seafood Grill	36.9	66.7	Full service
Old Country Buffets	35.1	4.8	Contract management
Valley Food Service Corp.	33.6	7.5	Lodging
Omni Hotels Corp.	33.3	25.0	Full service
Ruby Tuesday	32.9	98.7	Govt institutions
California Dept. of Corrections	32.7	16.7	Full service
Hard Rock Cafe America	31.8	13.8	Full service

TOP 15 GROWTH COMPANIES: BY ABSOLUTE DOLLAR GAIN

McDonald's continues to leave the other burger chains in the dust when it comes to sales increases: McDonald's sales increase was more than four times the increase posted by Burger King and more than 10 times the increases of Carl's Jr. and Jack In The Box. Strong international growth as well as a jump in same-store sales account for much of McDonald's increase.

Company	$ sales gain from 1987-1988	Segment
McDonald's	$1,769.6	Franchisor
Kentucky Fried Chicken	999.9	Franchisor
Burger King	400.0	Franchisor
Subway	328.0	Franchisor
Red Lobster	323.0	Full service
Domino's Pizza	320.0	Franchisor
The Sheraton Corp.	208.8	Lodging
Little Caesars Pizza	183.0	Franchisor
Arby's	180.0	Franchisor
International Dairy Queen	167.0	Franchisor
Shoney's Restaurants	145.5	Franchisor
Carl's Jr.	136.4	Franchisor
Village Inn Pancake Houses	113.3	Franchisor
Sizzler Restaurants	101.4	Franchisor
Jack In The Box	99.9	Franchisor

Companies whose sales were estimated by *R&I* or who changed their method of reporting are not included.

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Subway doubles sales to $600MM in '88; McDonald's posts a $1.7 billion gain.

The growth of *R&I*'s "400" was not quite as robust as in years past, but several companies still managed to post impressive gains in both sales and units. Fifteen companies reported sales increases of $100 million or more, and two companies doubled sales.

Subway, the sandwich-shop chain, leads the growth parade with a 120.6% jump in sales (from $272 million in 1987 to $600 million in 1988) and a 59.1% jump in units (from 1,815 to 2,888). The chain is signing franchise agreements at a furious pace and is opening almost three stores a day. The average unit volume per store also has increased, from $200,000 to $232,000.

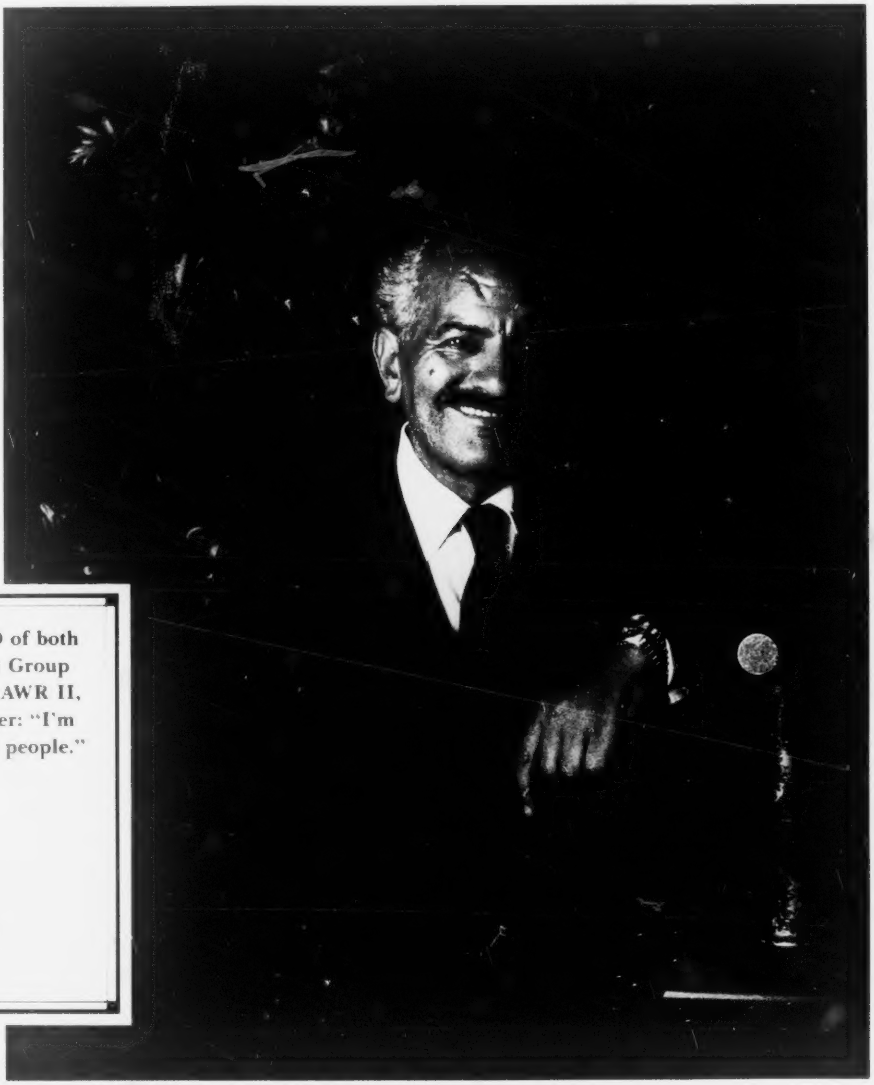
New unit openings account for much of the growth of several other "400" members. TCBY, the leader in the frozen-yogurt segment, added 353 new stores, an increase of about 43%, boosting annual sales nearly 74%. Old Country Buffets opened 17 new restaurants in 1988, for a total of 60, and saw sales increase 37%. And Trusthouse Forte Food Services continued to pick up new management accounts.

Two of the oldest chains in the industry, McDonald's and Kentucky Fried Chicken, also posted the largest absolute dollar gains. McDonald's sales grew by nearly $1.8 billion, and KFC's growth was just shy of $1 billion. Other old-timers such as Burger King, Dairy Queen and Arby's were also among the growth leaders.

Franchising apparently is one ticket to growth. Of the top 20 growth companies by percentage of sales gain, eight are franchisors. Among the growth leaders ranked by absolute dollar gain, only one (Red Lobster) does not franchise.

The sweets segment might be the other key to growth: TCBY, T.J. Cinnamon's and Tastee Freez all play up to America's sweet tooth, and sales are responding favorably.

—Maureen Pratscher



Anwar Soliman, CEO of both American Restaurant Group and Del Taco parent AWR II, is a hands-off manager: "I'm good at picking good people."

RESTAURANT COMPANIES STRENGTHEN FAMILY TIES

While other parents pare back to a few strong concepts, the American Restaurant Group finds strength in diversity.

RESTAURANTS & INSTITUTIONS

Anwar Soliman can see his company's newest restaurant, Tutto Mare, from the window of his sixth-floor office in Newport Beach, Calif. That's one reason it *is* his company's restaurant.

"I watched all the people going into the restaurant before we bought it," he says. "And one day I thought, why shouldn't those people be giving that money to us?"

The purchase was not as capricious as that sounds: Tutto Mare is located in a very upscale shopping mall with a steady stream of affluent traffic. But it does suggest the opportunism and action orientation that characterize Soliman's foodservice companies, the American Restaurant Group and AWR II.

ARG's holdings are bewilderingly diverse. There's Lewisville, Texas-based Grandy's, named the consumers' favorite chicken vendor in the 1989 *R&I* Choice in Chains. The revenues of Stuart Anderson's Black Angus, Los Altos, Calif., are second only to those of Steak & Ale in the full-service steakhouse segment. Velvet Turtle (21 units) and Spoons (11 units) target California's white-tablecloth and casual markets, respectively. And San Francisco-based Spectrum Restaurants—15 single-unit concepts including Tutto Mare, Guaymas, Chianti, Prego, MacArthur Park, and Harry's Bar and Grill—cover the culinary waterfront.

Soliman acquired most of his holdings after Marriott Corp. bought Saga in the mid-'80s. Marriott kept Saga's contracting division but went looking for a buyer for its 330 commercial restaurants. Soliman had just left the vice-presidency of W.R. Grace's restaurant division following an unsuccessful LBO, and he was ready to buy.

Some critics have charged that these concepts are a grab-bag with no overriding philosophy. "People have a tendency to want to categorize everything," Soliman says. "We don't compete only in fast food or family dining. We compete for every dollar spent in restaurants. We want to get the customer on the way up and on the way down."

Of course, at any given moment, some of these names are hotter than others. Soliman is big on Spoons at the moment, figuring its "full-service-but-fast-food" position makes it a natural for young families. The chain just purchased seven former Herschel's restaurants from Collins Foods CEO Jim Collins. But Velvet Turtle, which brings fine dining to the suburbs, will stay at 21 units for the foreseeable future.

How does one person hold the reins to so many different concepts? The answer is: loosely. "I couldn't ask the president of Spectrum Foods to run Grandy's for me—it's too different a mentality," Soliman says. "We do the same thing I did at Grace: We have separate operating management for each of our five divisions. The only things they have in common are strategy, capital expenditure, expansion plans, purchasing and accounting. With that kind of decentralized management, you can have 50 different concepts and they can all be successful. The problem comes when you say, I'm going to make all the decisions."

The same management levels operate in ARG's sister company AWR II, which owns 202 Del Taco units and bought 171 Naugles from Collins Foods in early '88. Soliman knows Mexican chains from his Grace days, when he acquired El Torito and mapped out a complex exchange that gave away Del Taco for Coco's and Jojo's coffee shops. When Collins bought Naugles, he recalls, "I knew the only thing that made sense was to get these two (Naugles and Del Taco) in one chain. You couldn't have them competing while Taco Bell took all the gravy."

Now they will be one chain: After a year of menu testing and decor redesign, AWR II is converting its first 15 California Naugles to Del Tacos and has begun talking franchising again. The company aims to mount a major challenge to Taco Bell—regional at first, but eventually national. Soliman says the war will be fought with value perceptions and with menu items the Mexican giant will be unable to copy quickly.

The next step for the new Mexican chain might come overseas. "We might have a Del Taco open over there this year," Soliman says. "Possibly in Japan, Korea or Hong Kong." That's just slightly beyond the view from the boss's sixth-floor window. ***—Brian Quinton***

AMERICAN RESTAURANT GROUP

Headquarters: Newport Beach, Calif.

Corporate Officers: Anwar Soliman, chairman and CEO; Ralph Roberts, president.

Sister Companies: Soliman also heads AWR II, a separate company, which added 171 Naugles to its 202 Del Tacos in early '88.

Expansion Plans: ARG will grow Grandy's, Stuart Anderson's and Spoons, casual concepts suited for family dining market. AWR II ready with prototype design and menu of new Del Taco; now converting 15 California Naugles.

FAMILY TREES

Pillsbury, General Mills, Collins Foods and Ramada sloughed off concepts to streamline their holdings.

With its across-the-spectrum approach to ownership, ARG is bucking a trend: Many other chains have broken with their weak links to focus energy on a few good concepts.

What follows has become a tradition in the *R&I* "400": a family snapshot of parents and children, showing who's whose at press time. Parents are listed in order of their sales, expressed in millions. One asterisk (*) denotes *R&I* estimate; two (**) denote company estimate. —*B.Q.*

PEPSICO FOODSERVICE DIV.
Sales: $10,020
Units: 17,353
Kentucky Fried Chicken
Pizza Hut
Taco Bell

PILLSBURY RESTAURANT GROUP
Sales: $6,152.1**
Units: 6,489
Burger King
Häagen-Dazs
(S&A Restaurants, owner of Steak & Ale and Bennigan's, recently sold to management.)

MARRIOTT CORP.
Sales: $5,353.5*
Units: 3,745*
Marriott Contract Svcs.
Marriott Lodging Div.
Roy Rogers
Host International
Marriott Family Restaurants
Marriott Travel Plazas

TW SERVICES INC.
Sales: $3,390.8
Units: 3,985
Canteen Corp.
Quincy's Family Steakhouses
Denny's
El Pollo Loco
(Also Spartan Foods, a Hardee's franchisee.)

IMASCO USA
Sales: $2,784*
Units: 3,141
Hardee's
Grisanti's
Casa Lupita
Burger Chef

INTERNATIONAL DAIRY QUEEN INC.
Sales: $2,239.5
Units: 6,107
Dairy Queen
KarmelKorn
Orange Julius
Golden Skillet

SHONEY'S INC.
Sales: $1,916.7
Units: 2,391
Shoney's Family Restaurants
Lee's Famous Recipe
Captain D's
(Also Shoney's Inns division.)

GENERAL MILLS RESTAURANTS INC.
Sales: $1,600
Units: 573
Red Lobster
Olive Garden

FOODMAKER INC.
Sales: $1,177.9
Units: 1,153
Jack In The Box
Chi-Chi's

COLLINS FOODS INTERNATIONAL
Sales: $1,057.4*
Units: 913*
Sizzler
Taco Den
(Also KFC franchisee. With Lettuce Entertain You and Big 4 Restaurants, sold Ed Debevic's 6-unit joint venture to Dennis Riese; considering sale of 2 Gino's East pizza units.)

HOLIDAY CORP.
Sales: $1,033.7*
Units: 1,841
Holiday Inns
Harrah's Casino Hotels
Embassy Suites

MORRISON INC.
Sales: $1,031
Units: 1,156
Morrison Custom Mgmt.
Morrison Cafeterias
Ruby Tuesday
L&N Seafood Grill
Silver Spoon Cafes

RESTAURANT ENTERPRISES GROUP
Sales: $1,005
Units: 670
El Torito
Charlie Brown's
(Also diverse restaurant concepts.)

CARLSON COS.
Sales: $849.6
Units: 750
Country Kitchens Intl.
TGI Friday's
Dalts
Radisson Hotel Group
Colony Hotels & Resorts

JERRICO INC.
Sales: $811.2*
Units: 1,538
Long John Silver
Seafood Shops
Jerry's Restaurants
Florenz Italian Restaurants

GREYHOUND CORP.
Sales: $787.2*
Units: 627
Restaura
Faber Enterprises
Cassano's Pizza & Subs
Dobbs Houses Inc.
Dobbs International

METROMEDIA INC.
Sales: $749*
Units: 718
Ponderosa Inc.

USACAFES L.P.
Sales: $571
Units: 612
Bonanza
Ribby's Express Barbecue

A. COPELAND ENTERPRISES
Sales: $505
Units: 722
Popeyes Famous Fried Chicken
Copeland's of New Orleans

AMERICAN RESTAURANT GROUP
Sales: $500*
Units: 337
Grandy's
Stuart Anderson
Black Angus
Velvet Turtle
Spoons
(Also owns Spectrum Restaurants, diverse concept chain. AWR II, also headed by Anwar Soliman, owns Del Taco and Naugles.)

400: FAMILY TREES

Trend to watch: Large franchisees such as RTM become franchisors by buying unrelated concepts.

MANOR CARE INC.
Sales: $432
Units: 954
Quality Inns
Manor Health Care

VICORP RESTAURANTS INC.
Sales: $422.4*
Units: 424
Bakers Square
Village Inn Family Restaurants

DELAWARE NORTH COS.
Sales: $383.4
Units: 317
Sportservice
Concession Air
(Also owns Dairy Farm Stores and Letheby & Christopher foodservice management.)

PANTERA'S CORP.
Sales: $325**
Units: 666
Pantera's Pizza
Pizza Inn

DÂKA Inc.
Sales: $300
Units: 454
dâka Food Service
Fuddruckers

SHOWBIZ PIZZA TIME INC.
Sales: $284.6
Units: 314
ShowBiz Pizza Time
Chuck E. Cheese
Monterey House
Monterey Tex-Mex Cafe

PARAGON RESTAURANT GROUP
Sales: $274
Units: 125
Rusty Pelican
Carlos Murphy
(Also diverse one- or two-unit concepts.)

TRUSTHOUSE FORTE PLC.
Sales: $263.1*
Units: 509
Trusthouse Forte Food Services
Forte Hotels International
Travelodge
(Also owns five units in the Exclusive Hotel line.)

THE HORN & HARDART CO.
Sales: $238
Units: 185
International King's Table
Bojangles'
Automat/Dine-O-Mat
(Also Burger King, Arby's and Tony Roma franchisee.)

INTERNATIONAL MULTIFOODS INC.
Sales: $226
Units: 780
Mister Donut

RESTAURANT ASSOCIATES CORP.
Sales: $198
Units: 97
Acapulco Restaurants
Charley Brown's
R A Restaurant Group

UNIGATE RESTAURANTS INC.
Sales: $165
Units: 180
Taco Bueno
Casa Bonita
Crystal's
Prufrock Restaurants (Dixie House, Black-eyed Pea)

DeNOVO CORP.
Sales: $164.1
Units: 617
Tastee Freez
Dog 'n' Suds
Dairy Isle

MRS. FIELDS INC.
Sales: $160
Units: 650
Mrs. Fields Cookies
Jessica's Cookies
La Petite Boulangerie

STOUFFER RESTAURANT GROUP
Sales: $133.8
Units: 70
Rusty Scupper
J.B. Winberie's
Parker's Lighthouse
Top Restaurants
Also diverse one-unit concepts.

GALARDI GROUP
Sales: $130
Units: 331
Wienerschnitzel
The Original Hamburger Stands

STEVE'S ICE CREAM INC.
Sales: $111**
Units: 463
Steve's Ice Cream
Swensen's
Heidi's Frogen Yozurt

CONSOLIDATED PRODUCTS INC.
Sales: $101.5
Units: 125
Steak'n Shake
Consolidated Specialty Restaurants

MIDIAL S.A.
Sales: $92
Units: 548
Original Cookie Co.
Hot Sam Pretzels
Corn Dog On A Stick

RESTAURANTS UNLIMITED INC.
Sales: $85
Units: 120
Cinnabon
Restaurants Unlimited specialty restaurants

W.R. GRACE & CO.
Sales: $80.3
Units: 147
Taco Villa

FAMOUS RESTAURANTS INC.
Sales: $75
Units: 48
Garcia's Mexican Restaurants
Famous Pacific Fish

BOMBAY PALACE RESTAURANTS
Sales: $65*
Units: 74
Beefsteak Charlie's
Bombay Palace

THE BROOKS COS.
Sales: $63
Units: 79
Happy Steak
Brook Hill
Brook's Ranch
Perko's Coffee Kup

TRUCKSTOPS OF AMERICA
Sales: $50
Units: 37
Country Pride Restaurants

BONGRAIN S.A.
Sales: $38
Units: 125
Penguin's Frozen Yogurt

BRUNSWICK CORP.
Sales: $35.1
Units: 115
Leiserv Inc.

Foodmaker CEO Jack Goodall: merging Jack In The Box and Chi-Chi's was "the most natural thing in the world."

DIVESTITURES DOMINATE YEAR'S FINANCIAL NEWS

But in a year of breakups, buyouts and spinoffs, Foodmaker manages to keep it all together—and all to itself.

Anyone in foodservice could be forgiven for confusing this year's financial news with front-line dispatches from some war zone: a hostile attack here, a poison-pill defense there, a court-ordered cease-fire somewhere else. But when the dust from these boardroom battles has cleared, the year's happiest warrior might turn out to be its quietest. San Diego, Calif.-based Foodmaker, owner of the 961-unit Jack In The Box chain since 1960, began the year with a very friendly buyout of Chi-Chi's Mexican restaurants, and ended with a stock buyback that took the company private at terms most shareholders thought generous.

All in all, that was a lot of acquisition for a company run by self-styled fiscal conservatives. "We're the most cautious group I know," says Chairman and President Jack Goodall. "We don't believe in debt for the sake of debt. I've never even had a mortgage on my house."

In fact, it was the *second* time in four years that Foodmaker management bought the company. The first time, in 1985, the corporation won its independence from Ralston Purina, the food-processing giant that had owned Foodmaker since 1968. That '85 buyout led to the company's first stock offering a year later, in February 1987, to raise capital to repay the debt incurred by the purchase of Ralston's remaining 20% interest. "That sped up our going public," Goodall says. "Frankly, we wouldn't have done it quite so soon without the opportunity to buy out Ralston."

Foodmaker's track record on the public market was quite good: Profits and earnings per share rose 50% in 1987, and the stock was trading at a multiple of mid-teens to low 20s. But management quickly grew uneasy about the market's valuation of the company.

The stock market always has had trouble putting a proper value on foodservice stocks, says Charles Duddles, Foodmaker's senior vice president and chief financial officer. For one thing, stockholders and analysts focus on earnings per share at the expense of cash flow. "Earnings are great, but in restaurants, cash flow is the name of the game," he says. "Besides, Wall Street has never been able to look at an industry that may be out of favor—such as restaurants, spot the one or two companies that are doing well, and give them the credit they should have."

These shortcomings coincided with the '87 crash to depress Foodmaker's market price. "Our stock was languishing," Goodall says. "It was a very attractive buy—for us, or for someone else."

So management seized yet another opportunity and announced a stock buyout last August. The final price of that transaction was more than $800 million: A tender offer of $170 million, plus an exchange for $300 million in existing debt and $350 million in new financing. Duddles and Goodall say the company can grow out of its highly leveraged position and that Foodmaker's future is now more secure, despite the new debt incurred in the privatization. "Now we've put a base on the company's value," Goodall says. "And we can operate as we've always done in the past—out of concern for cash flow rather than for earnings per share, and without making any short-term strategic moves to accommodate the financial community."

A large contributor to Foodmaker's success has been its February 1988 acquisition of Chi-Chi's, the Louisville, Ky., chain of Mexican dinner houses. That buy surprised many industry watchers at the time: Chi-Chi's was still turning around after drastic over-expansion in the early '80s. But a careful look at the 200-unit chain convinced Goodall the match-up made sense. "We decided the upside potential was good, with a tremendous amount of unused capacity," he says. "And the possible down side was real but manageable. (Chi-Chi's CEO) Hal Smith was identifying problems and very systematically solving them. We knew they were making tremendous strides and we didn't want to interfere. And we haven't: All Chi-Chi's success is due to its management team."

Goodall discounts the apparent differences between running a fast-food chain such as Jack In The Box and a string of full-service restaurants such as Chi-Chi's. "Both concepts are very regional," he says. "That means we can get our hands around our operations the way we like to. And both are specialty chains within their seg-

FOODMAKER INC.

Headquarters: San Diego, Calif.

Annual Sales (1988): $1,177.9 million

Holdings: Jack In The Box, 961 units, $755 million annual sales; Chi-Chi's Inc., 192 units, $422.9 million annual sales

Corporate Officers: Jack Goodall, chairman, president & CEO; Charles Duddles, executive vice president, finance; Robert Nugent, president, Jack In The Box; Hal Smith, president, Chi-Chi's.

400: OWNERSHIP

Strategists hoped for Foodmaker's good fortunes; many got a version of Pillsbury's problems instead.

10 BIG DEALS

1. Grand Metropolitan Plc. acquires Pillsbury Co. ($5.75 billion)

2. UAL (formerly Allegis Corp.) sells Westin Hotels and Resorts to Aoki Corp. of Japan and developer Robert Bass. ($1.5 billion)

3. Ramada sells its hotel properties to Prime Motor Inns and a Hong Kong development group. ($450 million)

4. Pillsbury sells off S&A Restaurant Group, parent of Steak & Ale and Bennigan's, to company management. ($431 million)

5. Popeyes Famous Fried Chicken acquires Church's Chicken in a hostile takeover. ($392 million)

6. Hershey Foods sells Friendly Ice Cream Corp. to Tennessee Restaurant Co., a Perkins franchisee. ($375 million)

7. Chi-Chi's goes to Foodmaker Inc., owner of Jack in the Box. ($244 million)

8. Greyhound buys Dobbs International, operator of Dobbs House airport restaurants and in-flight catering services. (undisclosed sum)

9. Ramada spins off Marie Callender Pie Shops to investment group. (undisclosed sum)

10. Restaurant Enterprises Corp. sells 102-unit Gilbert/Robinson division, including Houlihan's and Darryl's, to group headed by Irving and Murray Riese. ($200-250 million)

ments: Jack In The Box is not your typical fast-food place, and Chi-Chi's is *the* Mexican restaurant, period, in its markets." Nor are the companies all that different operationally, since Chi-Chi's Mexican menu depends more on extensive prep work than on complex cooking to order.

Will Foodmaker consider another foodservice acquisition? Yes, says Goodall, if the company can do so without risking the success of the Chi-Chi's matchup. "We'd never risk what we have now," he says.

Other companies will be *more* than pleased a year from now if the corporate moves they made in 1988 pay off as well as Foodmaker's. The difference is that for many of them, it was a break-up, rather than a make-up, year.

Grand Metropolitan Plc.'s purchase of Pillsbury can stand as a symbol of the merger activity in the last 12 months. A foodservice giant of the '70s was bought by a foreign corporation looking for entry to the American market. Now the giant's new owners are spinning off the divisions they do not want—S&A Restaurants and some retail food brands—to focus on the brand names and concepts with the greatest payback potential—including Burger King.

Elements of that scenario show up in many of the year's foodservice stories, particularly among large food-processing companies that felt themselves at takeover risk. Early last year, General Mills opted to sell its Leeann Chin chain of oriental takeout restaurants back to founder Chin. Six months later, the conglomerate decided the time was right to get out of the troubled steakhouse market by selling off its string of 100 York's units and using the capital earned to help expand its stronger brands: Red Lobster and the well-received Olive Garden Italian restaurants. Hershey Foods followed the same tack, bolstering earnings by transferring Friendly's 850 family-style restaurants to a Perkins franchisee and the guidance of industry veteran Donald Smith. Following closely on the divestiture of its Pietro's pizza parlors, Campbell's Soup left foodservice entirely by selling off 16 Annabelle's restaurants. And Sara Lee ended a 23-year relationship with the sale of its 65-unit Lyon's family-dining chain.

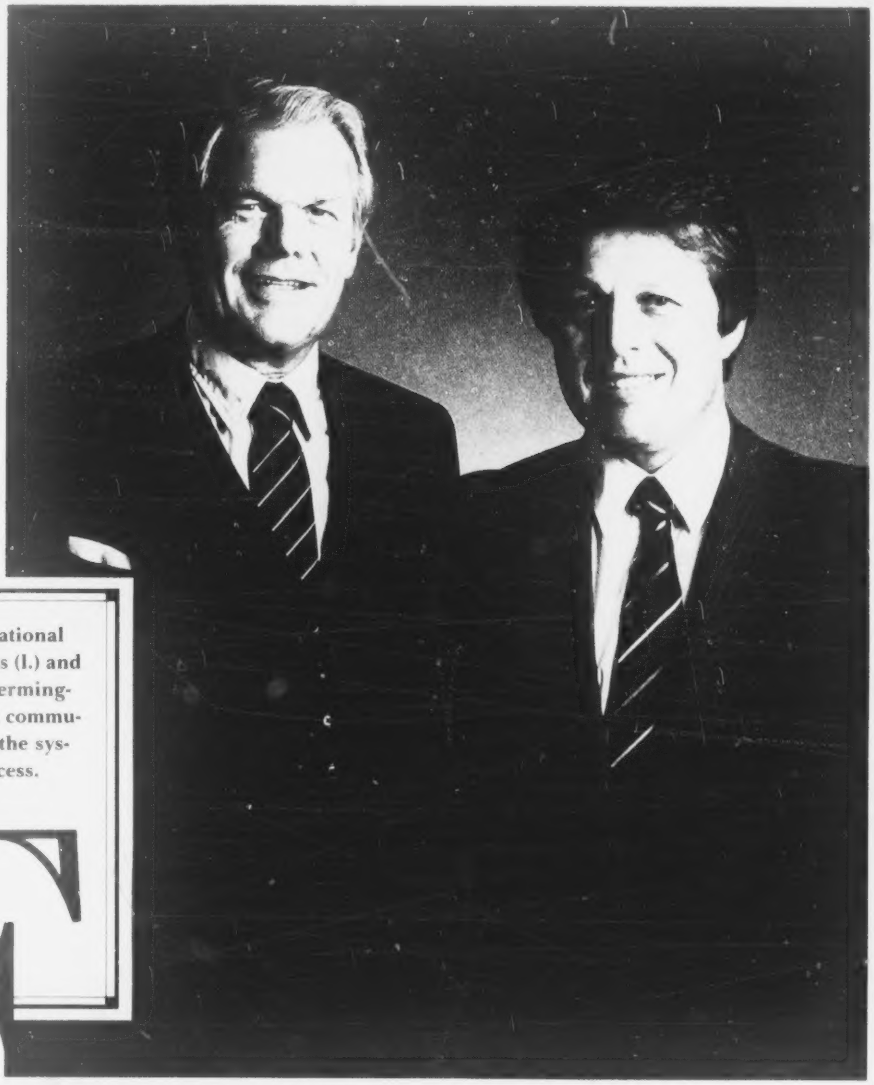
This was the year the LBO path from executive to owner became an eight-lane highway for American management, and foodservice was no exception. Here too, Pillsbury set the pace, spawning no fewer than three major LBOs.

Executives of other chains took advantage of low stock valuations and available financing to take equity positions in their own companies. Western Sizzlin', the 600-unit steakhouse chain, was sold in an LBO that put Pizza Hut founder Frank Carney and PepsiCo alumnus Michael Stack at the helm. And Bresler's President David Lasky led that chain in a separation from Oberweis Dairies.

Nor was Pillsbury alone in attracting overseas attention: Foreign capital made itself felt among the "400" in a big way this year, thanks to the depressed dollar and recession-proof real estate. Tight competition in the lodging industry put American hotel chains at the top of the 1988 takeover roster: Westin went to Aoki; World International Holdings (Hong Kong) bought Omni Hotels; and capital from the sale of Inter-Continental to Seibu Saison helped Grand Met take Pillsbury. In one of the year's most dramatic moves, Ramada not only spun off Marie Callender's Pie Shops but sold its entire 825-unit hotel system.

Finally, a handful of spectacular takeovers, such as Pillsbury, made news because of one party's struggle to stay independent. Ramada's radical sell-off was partly a response to last fall's hostile bid from the Pritzker family, who hold a controlling interest in Hyatt Hotels. Church's Chicken withstood a four-month siege by A. Copeland Enterprises, owner of the Popeyes chicken chain, before finally showing the white feather. ***—B.Q.***

400: FRANCHISEES



Collins Foods International Chairman Jim Collins (l.) and President Richard Bermingham believe constant communication throughout the system is the key to success.

FRANCHISEES ASK TO BE TREATED LIKE PARTNERS

Some disenchanted franchisees want more freedom to grow and more involvement in the decision-making process.

RESTAURANTS & INSTITUTIONS

All is not quiet on the franchising front, as news of strained relations between franchisors and franchisees becomes more common. National Pizza, Pizza Hut's largest franchisee, is feuding with the parent company over its right to acquire the Skipper's seafood chain. Until the buyout by Grand Met, Burger King franchisees were very upset about the lack of consistent and effective marketing support from Pillsbury. Wendy's rapid growth in the early '80s led to what many franchisees considered neglect of existing units.

But for Jim Collins, who has a seat on both sides of the aisle as Kentucky Fried Chicken franchisee and Sizzler franchisor, the key to maintaining a successful franchise marriage is simple: "If the franchisor spends more time making sure the franchisee is successful, the entire system benefits. . . . Any time a franchisor gets greedy, eventually the business will fail."

That philosophy has served the chairman of Collins Foods International well in his nearly 30 years of franchising. Collins currently operates 270 KFC units and franchises more than 600 Sizzler casual-dining restaurants. His initial experience as a franchisee prepared him for his role as a franchisor.

"When we sit down and talk about what we might do to one of our Sizzler franchisees, I turn around and consider how I would feel as the franchisee," says Collins. "Once you put on the other hat, the answer falls out so quickly you wouldn't believe it."

Collins also believes a franchisor should operate at least 25% to 35% of the units to provide franchisees with leadership and an example to emulate. Concepts that are almost entirely franchised can grow weak over time because the franchisor has no natural outlet for demonstrating solutions to operational problems.

As a franchisee, Collins operates at a higher level of sophistication because of its massive size. The company takes pains to share some of its information for the good of the whole system. For example, when KFC tested oven-roasted chicken last year, Collins was able to track sales records and share detailed results with the franchisor.

On the down side, the size and economic power of a company such as Collins may tempt the franchisor to compromise consistency, uniformity and quality control. "Franchisors are less likely to take large franchisees to task unless they are doing a real lousy job," says Collins. "It is incumbent upon the franchisor to protect the value of the system for other franchisees paying royalties."

Despite Collins' clout in the Kentucky Fried Chicken system, the West Coast franchisee is losing market share to the burgeoning El Pollo Loco fast-food chicken chain because the parent has moved more slowly than expected on the development of a non-fried chicken product (it will not be on the market until the first quarter of 1990).

Perhaps the most controversial story in franchising has been National Pizza Company's efforts to acquire Skipper's, a regional seafood chain based in Bellevue, Wash. A tender offer was finally withdrawn in April after Skipper's created a third obstacle (a poison pill) to completion of the deal. Skipper's officers also urged stockholders to hold out for a price better than $9.25 per share.

What made the deal most interesting was the pressure created by National Pizza's parent company, Pizza Hut. The PepsiCo concept said it would withdraw its licensing agreement with National Pizza if it acquired Skipper's. Pizza Hut says its contract with National prohibits engagement in businesses outside the system. National Pizza contends Pizza Hut is curbing the franchisees' growth potential because the franchisor retains the right to first choice on all viable franchise units that come up for sale. (In May, National Pizza's Vice President J.J. Fitzsimmons said the company was still interested in the Skipper's chain and plans to negotiate with both parties to reach a mutually agreeable solution.)

Whether franchise relations between companies like Pizza Hut and National Pizza will change to give franchisees more freedom is doubtful, according to Fitzsimmons.

"Franchisors view the relationship as parent and child, where the parent knows what is best," says Fitzsimmons. "The child should follow the parent's lead and speak only when spoken to. But more sophisticated

COLLINS FOOD INTERNATIONAL INC.

Headquarters: Los Angeles

Corporate officers: James A. Collins, chairman; Richard Bermingham, president and chief executive officer.

Annual sales: $184.3MM (Kentucky Fried Chicken franchises); $850MM (Sizzler division).

Expansion plans: Plans are on the drawing board to open 20 company-owned Sizzlers and franchise 40 more. Fifteen Sizzlers are expected to open in Australia. Collins also plans to open six to 10 domestic KFC operations and three in Australia.

400: FRANCHISEES

Mutually acceptable marketing plans boost same-store sales.

LEADING FRANCHISEES

For the first time, the "400" lists the industry's largest franchisees separately. The top 36 account for 5,639 units and more than $4.6 billion in sales.

Rank	Organization name	Current sales (in $ millions)	Current units
1	Collins Foods International	$1,057.4*	913*
2	Spartan Food Systems	427.0	432
3	The Riese Organization	331.6*	310*
4	Boddie-Noell Enterprises Inc.	295.0	289
5	TPI Restaurants Inc.	224.0	248
6	Frisch's Restaurants Inc.	190.0*	201
7	Harman Management Co.	165.0**	235
8	National Pizza Co.	141.0	321
9	The Continental Cos.	140.0	55
10	Carrols Corp.	133.5	152
11	RPM Pizza Inc.	120.1	257
12	RTM Inc.	117.0**	208
13	AIRCOA Hospitality Services Inc.	105.0	475
14	Pizza Management Inc.	100.6	210
15	Servico Management Corp.	100.0	59
16	Sybra Inc.	81.3	124
17	Consul Restaurant Corp.	80.0**	44
18	U.S. Restaurants Inc.	80.0**	68
19	Elby's Restaurants	77.0*	72*
20	Buehler-Ruckriegel Corp.	66.0	119
21	Marcus Corp.	62.0	93
22	Atlanta Family Restaurants Inc.	59.0	46
23	FMS Management Systems	51.5	86
24	Restaurant Management Service	49.7	51
25	JRN Chicken Stores	45.4	79
26	Perk Development Corp.	42.0	34
27	U.S. Beef Corp.	41.3	80
28	Winegardner & Hammons Inc.	40.4	50
29	Country Kitchens of Wisconsin Inc.	39.5	58
30	Morgan's Foods	32.6	84
31	Allen & O'Hara Inc.	31.5	24
32	AIFAM Enterprises	30.0	76
33	Consumer Food Services Inc.	30.0	30
34	Boykin Management Co.	27.0	11
35	Damon's Managment Inc.	23.0	20
36	Southern Hospitality Inc.	20.0	25

* *R&I* estimate. ** company estimate. ©1989 *Restaurants & Institutions*, a Cahners publication

franchisees object to that approach. They want to be partners."

Eventually, the state of relations could be changed via legislation or litigation. There has been some political movement to establish a fair-dealing standard, and some of the same questions also are beginning to be answered in court.

Another concern among franchisees is the parent's ability to provide creative marketing support, in an age when market saturation has caused operators to concentrate on higher same-store sales as opposed to expansion.

Arby's Inc. is an example of a chain that has allowed franchisees to participate in the decision making. Better communications and shared input has created a productive environment. System sales increased 17% last year and, along with McDonald's, Arby's was the only system to report a substantial increase in transactions in (5.3%) 1988.

A lack of communication and continuity is the very problem that has been plaguing the Burger King franchise system for the past five years. Systemwide profits have dropped 59% in two years and per-store sales are flat.

"Franchisees were sending ideas up the channel to Pillsbury for years and they never listened," says Murry Evans, who operates 44 Burger King units in the South. "They were only interested in quarterly earnings and were unwilling to develop a marketing plan or go out and pay for the best support."

Those days are over, according to Evans, because of the buyout by Grand Met. "They are getting rid of the 'us versus them' attitude. They are throwing out the politics and turning the operation into a team effort."

New Chief Executive Officer Barry Gibbons is keeping franchisees up to date with videotaped talks and has been on the road to meet with operators throughout the system. Evans notes that unrest and distrust among Burger King franchisees across the country is already dying down as a result of the change in leadership.

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400: FRANCHISEES

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Unit growth among prominent franchisees shows signs of sagging in a maturing marketplace.

Perhaps the most noticeable trend in franchising today is the acquisition of major companies consisting partly or wholly of company-owned stores; these are then converted to franchised units. Patrick Boroian, president of Francorp, a consulting firm in Olympia Fields, Ill., points to the acquisition by Popeyes Chicken & Biscuit of Church's Fried Chicken Inc. He says that Chairman Alvin Copeland plans to close "a few hundred units and sell off company-owned units to pay back the debt."

Boroian also cites the Riese Organization, which acquired the Houlihan's chain from Restaurant Enterprises Group Inc. and plans to franchise the concept domestically and around the world. Riese paid $250MM for Houlihan's and five El Torito units.

In order to increase volume per square foot, The Riese Organization also is developing food courts, clusters of fast-food concepts under one roof, sharing common seating. The system creates labor and storage efficiencies.

The company's latest maneuver involved signing an exclusive franchise agreement with Kentucky Fried Chicken to open express units in Riese's food courts.

The owners of more than 600 units in 25 different franchise systems hope to operate 1,000 restaurants within the next five years.

Riese New York also had a busy year in the New York franchise arena, signing an agreement to develop Chili's restaurants in New York. Riese New York also acquired franchise rights to Chi-Chi's and recently acquired exclusive development rights for New York's Miss Gimble restaurants.

In developments concerning other prominent franchisees:

Boddie-Noell, franchisee of 289 Hardee's units, plans to cut back expansion to about 10 units this year because of higher interest rates and market saturation in the Southeast.

Wendy's Food Systems of Akron has closed or sold its more than 80 units to pay off creditors under Chapter 11 bankruptcy proceedings. The Akron system, which is one of Wendy's largest franchisees, ran up heavy debt while trying to expand in Cleveland and opening 23 units in Buffalo, N.Y.

Chi-Chi's franchisee Consul Restaurant Corp. of Bloomington, Minn., plans to expand the El Pronto concept beyond food courts, with free-standing drive-thru units in Milwaukee. Consul's increased marketing effort has led to a 6% increase in comparable store sales. Consul also has formed a contract-management division to develop business and industry accounts in the Midwest. Consul Foodservice Management is targeting white-collar businesses that put a premium on foodservice.

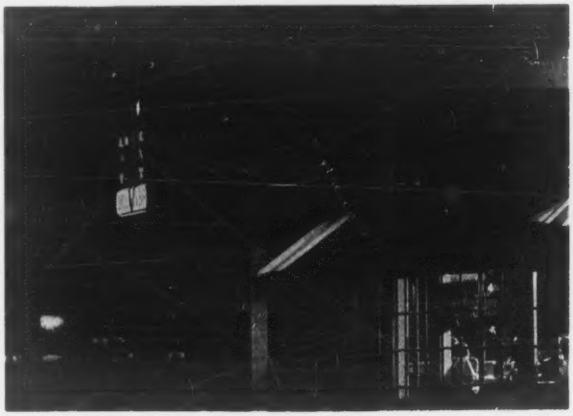
Hardee's largest franchisee, Spartan Food Systems, Spartanburg, S.C., plans to open 38 units in 1989, with an emphasis on the Midwest (Ohio area).

KFC franchisee JRN Chicken of Columbia, Tenn., has installed fax machines in each unit to transmit daily sales reports, summary tapes from the cash registers, copies of validated bank deposit slips and biweekly payroll reports to the corporate office.

Unit growth is lagging for many chain operators, with a few exceptions: RPM Pizza Inc. of Gulfport, Miss., franchisee of 257 Domino's units, plans to open 33 new units in 1989. Arby's franchisee RTM Inc. of Tucker, Ga., will approach the 250-unit mark by adding 40 units this year. National Pizza Company of Pittsburg, Kan., will open 39 new Pizza Huts.

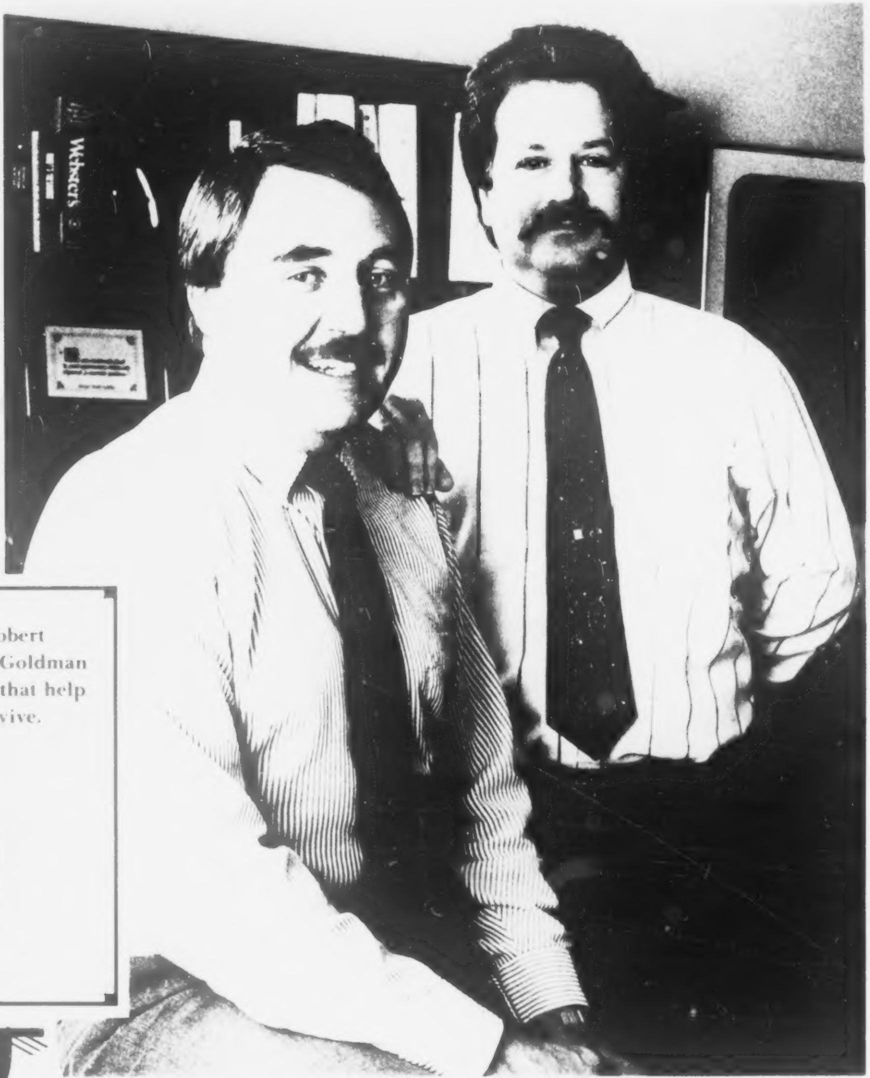
Briefly: Shoney's South was acquired in September '88 by a subsidiary of TPI Enterprises. Subsequent to acquisition and merger, TPI Restaurants now acts as the franchisees of 232 Shoney's and Captain D's units. . . . Carrols Corp. plans to buy four Burger King units and open 11 new operations. . . . Perkins Family Restaurants franchisee Perk Development Corp. of Rochester, N.Y., will grow through the acquisition of five units. . . . Morgan's Foods of Cleveland divested itself of 12 Sizzler units. . . . Restaurant Management Inc., Cincinnati, has added 13 Arby's to its system by acquiring Beef People Inc. and plans to double its presence in the Southeast by 1993. . . . Magic Pan, San Francisco, has become a franchisee of Soup Exchange Soup & Salad Bar restaurants and during the next two and a half years, plans to open 55 units east of the Mississippi and in Canada. . . . Elby's Restaurants, Wheeling, W. Va., an original Big Boy franchisee, returned to the system in 1988.

—Jeff Weinstein



Riese New York has signed an agreement to develop Chili's restaurants in the Big Apple and also acquired franchise rights for the Chi-Chi's chain.

400: PURCHASING



Unicare executives Robert Beyer (l.), and Wayne Goldman negotiate food prices that help smaller operators survive.

GROUPS ENGINEER FOOD AND EQUIPMENT SAVINGS

Their buying clout helps hospitals and other operations maintain diverse menus and make capital improvements.

RESTAURANTS & INSTITUTIONS

Purchasing groups owe their existence to foodservice organizations, both commercial and institutional. They give single-unit independents the same buying power that has permitted chains to thrive in the margin-conscious climate of today's foodservice industry. They help small operators swim with the sharks and live.

Larger operators can benefit, as well. Some experts estimate, for example, that more than 80% of all hospitals do at least some of their buying through purchasing groups.

Because these groups wholesale food and supplies to members rather than selling it directly to consumers, *R&I* this year has given them their own ranking, separate from the "400." But that is not to take away from the hefty sales volumes this go-between segment controls. The chart overleaf lists 39 buying agencies—commercial, institutional and governmental—large enough to rank alongside the "400." All together, purchasing groups spend more than $625 million annually on food and beverage. That is the equivalent of $1.75 billion in commercial foodservice sales (multiplied by *R&I*'s 2.8 multiple for food purchases).

Unicare Health Facilities Purchasing Service, Madison, Wis., is one of the largest such organizations. A subsidiary of United Health Inc., which also operates 143 Unicare nursing homes, this for-profit firm was responsible for $85 million in food and beverage purchases in 1988, for a commercial sales equivalent of $238 million. (Food operations, including labor costs, represent nearly half of daily costs in a nursing home; thus, savings of 2%, 5% and sometimes 10% through group purchasing are important.)

United Health began serving as a purchasing contractor 11 years ago, when the chain had only 30 nursing homes and four retirement centers. "We saw it as a way to increase our volume, to give ourselves better buying power," says Robert Beyer, Unicare's vice president of purchasing. "As we added clients, more vendors wanted to be part of the program." UHF now negotiates prices with 30 to 35 food companies nationwide; clients pay this price plus a fixed mark-up to the approved distributor.

In 24 major cities as distant as Boston and Seattle, UHF buys its food exclusively from distribution giant Sysco Corp. In other territories, the company deals with two distribators. UHF can even offer its clients reduced prices on kitchen equipment and other capital improvements.

Only $12 million of that total represents expenditures for Unicare's own facilities. "We provide purchasing assistance for over 2,000 affiliated nursing homes, 1,200 of them on a day-in, day-out basis," explains Wayne Goldman, who is both corporate director of food operations for Unicare and director of food procurement for UHF.

Almost all of Unicare's clients are nursing homes such as Health Care & Retirement Corp., an Owens-Illinois subsidiary. But the company also services a few hospitals, and has experimented with extending its services to small-volume commercial independents. UHF's success in the commercial sphere was limited, however. "We tried Ma and Pa restaurants a few years ago," Beyer says. "But we found that distributors really don't like to cut a deal for those people, because that's where they make their profit. And there were payment problems." For the near future, health-care and life-care operations will remain the foundation of UHF's business.

Currently, the primary concern expressed by Beyer and Goldman is the impact of the drought on food prices. "It has forced sweeping changes in menus. Products like corn or green beans are just not available—or not in our price range," Beyer explains. Goldman adds that within Unicare's own operations, food costs are already up 8% since budget-setting time last October.

Like other institutional food executives, Goldman is emphasizing "plus business" in his own Unicare operations: maximizing return from a kitchen without hiking expenses by looking for new markets beyond the obvious needs of the facility.

"You've already got a kitchen running," he says. "By adding a part-time worker, you can start selling more meals and turn the kitchen into a profit center. We're now serving 20,000 additional meals per week in meals on wheels. And

UNICARE

Headquarters: Madison, Wis.

Parent Company: United Health Inc.

Operations: Provides purchasing assistance for more than 2,000 affiliated nursing homes. In addition to negotiating prices with 30-35 food companies, works with suppliers to offer clients reduced prices on kitchen equipment.

New directions: "Plus" business includes meals on wheels and selling food in bulk to employees.

Biggest problem: Higher food prices resulting from drought.

400: PURCHASING

PURCHASING GROUPS

The organizations listed below would all qualify as members of the "400" if they operated foodservices. Instead, they function only as purchasing agents for members and clients. All serve primarily health-care institutions, although one, Preferred Purchasing Consortium, was established to improve the buying position of independent restaurants and clubs in the Detroit-Northern Ohio area. All sales figures are commercial equivalents.

Rank	Organization name	Current sales (in $ millions)	Current units
1	National Purchasing Organization/HPSI	$342.4	2,149
2	Amerinet/Valuefood	294.0	1,300
3	Unicare Health Facilities Purchasing Service	238.0	1,200
4	New York State Dept. of Purchasing	224.0*	115*
5	Baltimore Dept. of Purchasing	180.0	140
6	Hospital Purchasing Service Inc.	178.1	592
7	New York City Bureau of Procurement	175.0	95
8	Sisters of the Third Order of St. Francis	127.4	397
9	Illinois State Purchasing Administration	100.8	88
10	Wisconsin Bureau of Purchasing	100.8	48
11	HRI-Purchase Connection	84.0	177
12	California State Purchasing Bureau	84.0*	70*
13	Florida State Purchasing Administration	84.0	100
14	New Jersey State Purchasing Dept.	84.0*	48*
15	Pennsylvania Bureau of Administration	81.2*	50*
16	Sun Health	78.4*	0
17	Metropolitan Chicago Hospital Council	73.6	100*
18	Tennessee Purchasing Administration	70.0	45
19	Purchasing Admin., Commonwealth of Virginia	67.2	26
20	American Association of Homes for the Aging	56.2	283*
21	Indiana State Dept. of Administration	56.0	37
22	North Carolina Dept. of Administration	56.0**	24
23	Ohio Dept. of Purchasing	56.0*	38*
24	Mid-Atlantic Shared Services	47.6	140
25	PACE Shared Services	47.6*	138*
26	Bureau of Administration, State of Michigan	47.6*	35*
27	State of Missouri Bureau of Purchasing	46.2	32
28	Preferred Purchasing Consortium	45.0	150
29	MedEcon	44.8*	240
30	Hospital Services of New England	42.0	102
31	State of Washington Government Institutions	40.6	33
32	Louisiana Office of Purchasing	39.2	35
33	Kansas Bureau of Purchasing	35.0	30
34	Shared Services for Southern Hospitals	33.9*	100
35	State of Rhode Island Dept. of Purchasing	33.6	248
36	Maryland Dept. of General Services	30.8	31
37	Center for Health Affairs	29.7*	58
38	Sisters of the Sorrowful Mother	28.8	136
39	Support Health	28.8	140

* *R&I* estimate. ** company estimate ©1989 *Restaurants & Institutions*, a Cahners publication

Regional and national purchasing organizations increase buying power of foodservice dollars.

there's one energetic supervisor producing sandwiches for a local vending company that serves her home operation.

A newer opportunity for plus business, and one growing in popularity, is that of selling food in bulk to a facility's employees. "We do real well on such items as meat or frozen pies," Goldman says.

Goldman and Beyer say they are confident of a place for buying groups like UHF in the future of foodservice. Right now, their concerns are more for the immediate present, and the impact on food prices of last drought. "It's forced sweeping changes in menus (among UHF clients)," Beyer says. "Products like corn or green beans are just not available to us—or not in our price range." Goldman adds that food costs in Unicare's own nursing home operations are already up 8% since the annual budget was set last October.

Along with UHF, two other major purchasing companies specialize in serving the long-term health-care field: National Purchasing Organization, with $122 million in food purchases in 1988 ($341.6 million commercial equivalent), and the American Association of Homes for the Aging, which bought an estimated $20 million in food and beverage last year ($56 million commercial equivalent).

Representing more than 200,000 health-care beds plus a growing number of senior meal programs, NPO moved into foodservice almost 14 years ago and now supplies food to health-care organizations (mostly nursing homes) that account for more than 20,000 patient beds. A for-profit service, NPO requires affiliated institutions to sign purchasing commitments and to maintain a record of prompt payment in order to receive discounts from approved distributors.

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400: PURCHASING

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Purchasing groups spend $625 million annually on F&B, equivalent to $1.75 billion for commercial foodservice sales; health care is segment with highest participation rate.

Health Procurement Services Inc., the Irvine, Calif.-based subsidiary of NPO, works largely through state and local associations to recruit new clients; services include free educational seminars for those associations with a high percentage of members buying through NPO/HPSI. In addition to the basic purchasing discounts, services offered to NPO clients include audits, monthly computer reports of purchases and design consulting.

The 3,500-member American Association of Homes for the Aging established its group-purchasing program less than five years ago, working on a state-by-state basis with affiliated state associations. Today, 11 states participate in AAHA. Purchase levels range from $868,000 in Indiana to more than $4.3 million in Minnesota, according to Tom Cutting, program manager for the Washington, D.C.-based association.

"The programs are set up with local distributors selected by members, and they have to be locally marketed by state associations," he points out. Cutting has also negotiated with manufacturers for special discounts for nonprofit member homes. These occur primarily in rebate form. "Most good distributors give a rebate out front," he says.

Hospital purchasing groups--often called shared services—have been around a lot longer than those serving long-term care facilities. They are more numerous and more varied; and as the *R&I* "400" survey revealed, competition in their world is even more intense.

For example, while most groups negotiate prime-vendor programs under which members themselves buy directly from approved distributors, the New Jersey Hospital Association's Mid-Atlantic Shared Services takes phone orders from client hospitals and puts 1,400 items out to bid every month.

"By the end of this year, we hope to have five hospitals on-line," explains Nick Mandese, director of Contract Services for the group, which presently spends $17 million on food. Mandese sees his group's future in efficient computer-to-computer ordering and bidding. Other current projects include a new fresh-produce program and a complete A-to-Z desk reference for small wares.

Some regional buying groups downplay the national "super" groups, agreeing with Mandese, who believes that "dietary is strictly regional." But purchasing giant AmeriNet was established by four regional associations just like Mid-Atlantic to give their purchasing national clout. Today some 113 manufacturers have contracts with AmeriNet's dietary division, as do more than 40 distributors.

"We do the contracts with food manufacturers and distributors," says Tom Wesley, a former St. Louis restaurant manager who now heads AmeriNet's $100-$110 million a year food-purchasing division, ValueFood. "The sales and marketing of the program are local, and the local groups essentially handle the local bread, ice cream, meat and fish contracts."

Of AmeriNet's 2,700-member institutions, roughly half buy food through the organization. To prevent "cherry picking" among competing purchasing programs and to maintain buying volumes, the organization requires that participating members place 80% of their food purchases through ValueFood.

Catholic health-care institutions, at one time largely autonomous, have become increasingly centralized. In the process, purchasing groups are often established—and opened up to non-Catholic institutions. One prominent example is the buying organization affiliated with the hospitals of the Sisters of the Third Order of St. Francis, based in Peoria, Ill., which owns and/or manages a small group of eight facilities.

Food buyer Gilbert Gandenberger oversees a program serving 397 facilities that spend 35% of their $130 million annual food budget through the group's approved distributors. In addition to working with manufacturers to set prices (one manufacturer per product), Gandenberger has established a prime-vendor program through national distributor John Sexton & Co.

Viewing the market dominance of co-op buying in the health-care segment, one might ask why the same arrangement cannot succeed among commercial operators?

To a limited extent, it can. One example is lodging giant Sheraton's huge Unifood buying organization, which allows non-Sheraton customers to benefit from the hotel chain's purchasing muscle.

A more unusual example is the for-profit Preferred Purchasing Consortium of Dearborn, Mich. Preferred negotiates 40 different buying programs for its 150 client restaurants and clubs, offering reduced prices on services that range from medical insurance to carpet cleaning. The company's clients spend about $27 million on food, chemicals and disposables for the kitchen.

Jack Norwood, a principal in the firm, comes from a purchasing background: He was director of purchasing for a four-state region for ARA Services, then served in a similar capacity for Hospital Dietary Service. According to Norwood, his present clients include such well-known Detroit-area operators as the Joe Muer restaurants, the London Chop House and the Oakland (Mich.) Country Club.

Is Preferred Purchasing Consortium on the cutting edge of a new trend? Norwood is not certain and points to resistance from vendors as a potential obstacle. On the other hand, he says, similar organizations are now operating in the Midwest and on the West Coast. ***—Julie Woodman***

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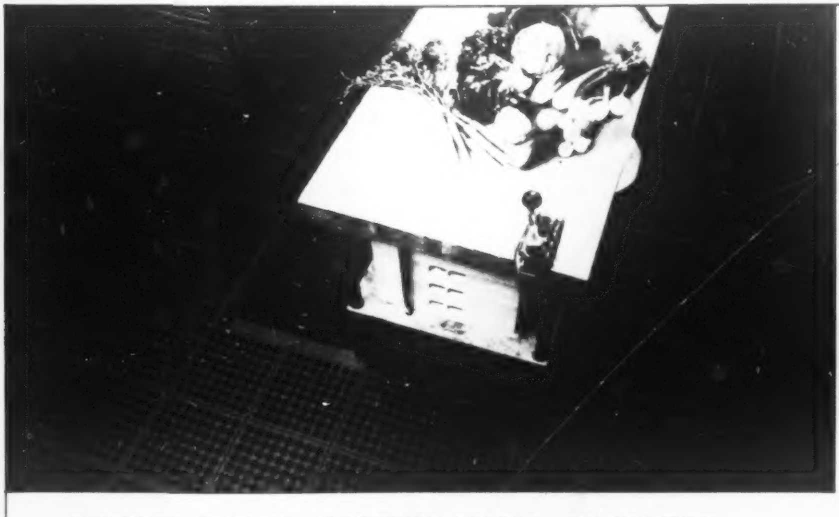

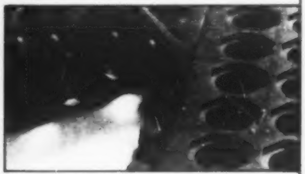

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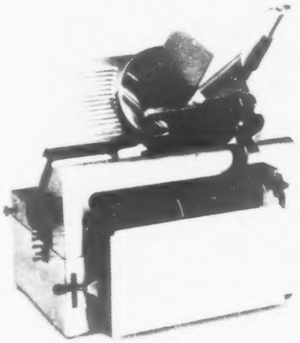

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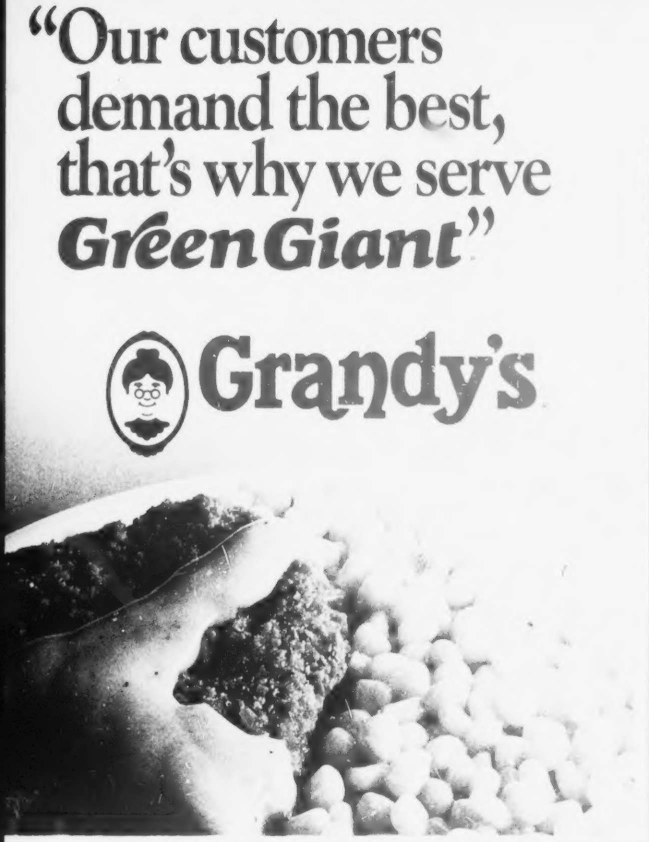
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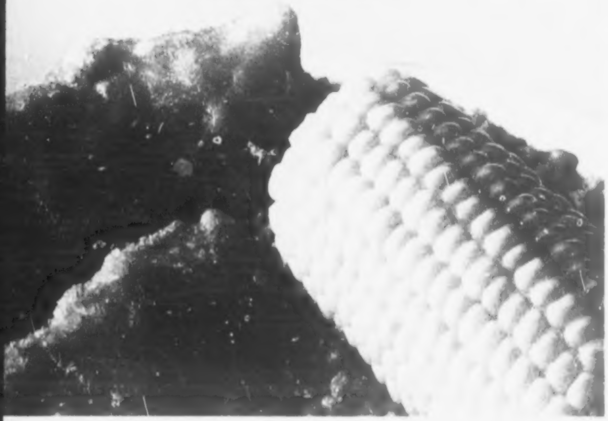

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RESTAURANTS & INSTITUTIONS, a Cahners publication
1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5080 Phone: 312/635-8800

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RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in January, February, March, May, July, September and November) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Charles H. Moodhe, Senior Vice President/General Manager, Chicago Division; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address. RESTAURANTS & INSTITUTIONS copyright 1989 by Reed Publishing USA; Ronald G. Segel, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people: USA, 1 year $99.95, 2 years $189.95; Canada/Mexico, 1 year $115, 2 years $205; other countries surface mail, 1 year $155, 2 years $290; and air mail, 1 year $240, 2 years $460. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.